

**VOLUME 3, CHAPTER 10: “ACCOUNTING REQUIREMENTS FOR EXPIRED
AND CLOSED ACCOUNTS”**

SUMMARY OF MAJOR CHANGES

All changes are denoted by **blue font**.

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

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

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

The previous version dated June 2009 is archived.

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

Table of Contents

VOLUME 3, CHAPTER 10: “ACCOUNTING REQUIREMENTS FOR EXPIRED AND CLOSED ACCOUNTS”		1
1001	INTRODUCTION.....	3
100101.	Purpose	3
100102.	Definitions	3
1002	POLICY AND PROCEDURES.....	3
100201.	Expired and Closing/Canceling Accounts.....	3
100202.	Implementation of Contract Change Provisions Within the Department of Defense	6
100203.	Shipbuilding and Conversion (SCN), Navy Appropriation	7
100204.	Obligation Adjustments for a Contract Change in Excess of \$4 Million.....	8
100205.	Obligation Adjustments for a Contract Change of \$25 Million or More.....	8
100206.	Replacement Contracts.....	9
100207.	Obligation Adjustments or Payments from Current Appropriations for Closed/Canceled Accounts.....	10
100208.	Use of Current Year Funds When Sufficient Obligation Authority Does Not Exist in Expired Appropriations.....	10
100209.	Crediting of Collections After an Account is Closed/Canceled.....	11
100210.	Exceptions to Periods of Availability of Accounts for Adjusting and Liquidating Obligations	12
100211.	Antideficiency Act Violations.....	12
100212.	Control, Reporting, and Certification Requirements	13
100213.	Other Procedures	14

CHAPTER 10

ACCOUNTING REQUIREMENTS FOR EXPIRED AND CLOSED ACCOUNTS

1001 INTRODUCTION

100101. Purpose

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

100102. Definitions

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

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

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

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

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

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

1002 POLICY AND PROCEDURES

100201. Expired and Closing/Canceling Accounts

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

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

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

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

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

F. When a currently available appropriation is used to pay an obligation, which otherwise would have been properly chargeable (both as to purpose and amount) to a closed/canceled appropriation, the total of all such payments from that current appropriation may not exceed the lesser of:

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

2. The unexpired unobligated balance of the currently available appropriation; or

3. One percent of the total original amount appropriated to the current appropriation being charged.

a. For annual accounts, the 1 percent limitation is of the annual appropriation for the applicable account--not total budgetary resources (e.g., reimbursable authority).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

100203. Shipbuilding and Conversion (SCN), Navy Appropriation

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

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

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

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

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

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

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

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

B. Requests for approval must include the following documentation:

1. The amount to be obligated,
2. The purpose for which the funds are to be obligated, and
3. An explanation of the obligation adjustment including the reason for the adjustment and the contingencies or management practices which caused the need for the adjustment.

C. Components must retain supporting documentation for future reference.

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

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

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

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

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

100206. Replacement Contracts

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

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

B. The original contract was made in good faith.

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

1. Court order;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

100209. Crediting of Collections After an Account is Closed/Canceled

A. Valid accounts receivables shall not be written off as a result of closure/cancellation of appropriations with negative unliquidated obligations. Maintain proprietary accounts until settled by the debtor or until debt is closed in accordance with guidance in Volume 4, Chapter 3.

B. When collections that are authorized or required to be credited to an account are received after the closure/cancellation of an account, deposit those collections in the miscellaneous receipts of the U.S. Treasury (31 U.S.C. 1552). Accounting entries are specified

in the [United States Standard General Ledger \(USSGL\) Standard Financial Information Structure \(SFIS\) Transaction Library](#). See Volume 4, Chapter 3 of this Regulation for receivable accounting policy.

100210. Exceptions to Periods of Availability of Accounts for Adjusting and Liquidating Obligations

A. Requirements applicable to the closure/cancellation of appropriations apply to all appropriation accounts unless specifically exempted by statute. A provision of an appropriations act may exempt an appropriation from the provisions of the new requirements for the closing/canceling of accounts and may fix the period for which an appropriation remains available for expenditure (31 U.S.C. 1557). Additionally, an appropriations act applies only to the appropriation for a specific fiscal year. To preclude application to an appropriation of the limitations on expenditure specified in the new provisions of title 31, U.S.C., the statute must:

1. Identify the appropriation account for which the availability for expenditure is to be extended;
2. Provide that the appropriation account shall be available for adjusting and liquidating obligations properly chargeable to the account; and
3. Extend the availability for expenditure of the obligated balances.

B. The availability for expenditure of specific accounts may be changed only through specific legislation. Request this authority only when payment of old balances from unexpired funds (based on historical outlay data) regularly would exceed the 1 percent limitation or would severely impact the current program.

1. When the nature of a DoD Component's program requires disbursements beyond the 5-year period, the DoD Component must submit proposed changes in appropriation language to the OUSD(C)(P/B). The OUSD(C)(P/B) shall submit the proposed changes to the Office of Management and Budget for approval.

2. Absent specific authority, DoD Components, through the OUSD(C)(P/B), may seek reappropriations of closed/canceled balances and defer payment until the appropriation is available. Treat the receipt of a reappropriation as adding new budget authority.

100211. Antideficiency Act Violations

The DoD Components are required to investigate and report violations of the Antideficiency Act when certain limitations are exceeded. An Antideficiency Act can occur when an obligation is charged against a current account when the obligation otherwise would be properly chargeable (except as to amount) to an expired account, and insufficient resources exist to fund the obligation in the applicable expired account. Antideficiency Act investigation and reporting guidance is specified in Volume 14 of this Regulation.

100212. Control, Reporting, and Certification Requirements

Sections 1554 and 1556 of title 31, U.S.C., as amended, contain permanent audit, control, and reporting requirements pertaining to the liquidation of obligations.

A. Control Requirements

1. Section 1554(a) of title 31, U.S.C. stipulates that any audit requirement, limitation on obligations, or reporting requirement applicable to an appropriation must continue to apply to that appropriation following expiration of the period of availability for new obligation of that appropriation. Thus, if an appropriation act contains a limitation on the obligation of funds for a program, project or activity, or other purpose, then that limitation must continue to apply during the 5-year period following the period of availability for obligation of that appropriation. Additionally, the limitation must continue after the appropriation has been closed/canceled.

* 2. The DoD Components must establish and test internal controls to ensure that an adequate review of obligated balances is performed to support the certification [in accordance with OMB Circular A-123 Appendix A](#); and that documents are retained in accordance with Volume 1, Chapter 9.

3. Proper general ledger controls must be maintained for closed/canceled valid unpaid obligations and accounts receivable in closed/canceled accounts. Although balances in unexpired accounts may be used to fund closed/canceled obligations; closed/canceled obligated balances must not be posted to unexpired accounts solely because the purposes may be related. Post closed/canceled obligations to unexpired accounts only when a disbursement will be paid during the current year.

B. Reporting and Certification Requirements. Under the provisions of section 1554 of title 31, U.S.C., the Secretary of Defense, or his designee, is required to submit a report to the President and the Secretary of the Treasury concerning the unliquidated obligations, unobligated balances, closed/canceled balances, and adjustments made to appropriation accounts during the preceding fiscal year.

1. Due Date. This report is due not later than 15 days after the President submits his budget to the Congress.

2. Distribution Requirements. A copy of the report is required to be submitted to the Speaker of the House of Representatives and to the Committee on Appropriations, the Committee on Governmental Affairs, and other appropriate oversight and authorizing committees of the Senate (such as the Armed Services Committee).

3. Contents. Section 1554(b) of title 31, U.S.C. requires that these reports must contain:

a. An itemization of related appropriation accounts, identified by fiscal year and the balances identified in each account. This itemization is reported on the fiscal year-end FMS 2108.

b. A listing of each current and expired appropriation. This list is included in the fiscal year-end FMS 2108.

c. Identification of payments made from each currently applicable appropriation account with respect to those amounts that otherwise would have been properly chargeable to another account, both as to purpose and amount, except that the other account has been closed/canceled (31 U.S.C. 1553). These payments are reported on the DoD Component's Statement of Transactions.

d. Separate identification of obligation adjustments made to each currently applicable appropriation account that otherwise would have been properly chargeable to another account, both as to purpose and amount, except that the other account has been closed. These amounts are reported on FMS 2108.

e. Identification of all balances closed/canceled on September 30th of the fifth year following the expiration of an appropriation account's availability for incurring new obligations (31 U.S.C. 1552(a)). These balances are reported on the fiscal year-end FMS 2108.

f. Identification of those appropriation accounts available for an indefinite period that have been closed because: No disbursements have been made from the account for a period of 2 years; and the President or the Secretary of Defense has determined that the purposes for which the appropriation was made have been carried out (31 U.S.C. 1555).

g. A certification by the DoD Components that the obligated balances in each appropriation account of the DoD reflect properly existing obligations and that expenditures made from each account since the time of submission of the prior report were supported by a proper obligation of funds and otherwise were proper.

100213. Other Procedures

The following paragraphs specify detailed information about other review, accounting, and correction procedures regarding current and expired accounts.

A. Apportionment Procedures. *Apportionment and Reapportionment Schedule*, Standard Form (SF) 132, must reflect the following footnote: "Up to 1 percent of the original amount of the appropriation (\$xxx.xx), or the unobligated balance, whichever is less, may be used for the purpose of obligation adjustments and payments, which otherwise would have been properly chargeable (both to purpose and amount) to a closed/canceled appropriation." To the extent that supplemental appropriations are enacted, reapportionment of the initial "1 percent" amount may be requested.

B. Unliquidated Obligations. The DoD Components must review remaining unliquidated balances in expired accounts and, prior to closure/cancellation, deobligate all amounts not supported by documentary evidence.

1. Each of the various levels of contract and program management retains the responsibility to ensure all transactions entered into are appropriately concluded to ensure that services and materials that remain undelivered at the time of expiration are subsequently delivered or, where such deliveries cannot be made, action is taken to terminate contractual obligations and revert the funds to maintain integrity of the funds until such time as all outstanding obligations are liquidated or claims are canceled or liquidated.

2. Financial and program managers at all activities must actively review uncompleted contracts, uncollected accounts receivable, and uncollected travel or pay advances held at their level to ensure validity of such items.

C. Payments After Closure/Cancellation of Appropriations. Do not pay amounts presented for payment that cite closed/canceled appropriations (appropriations beyond the end of the fifth year following the expiration of their availability for incurring new obligations) until the disbursing office has obtained a currently available appropriation fund cite from the funding activity.

D. Unmatched Disbursements for Closed/Canceled Accounts. When a disbursement is made properly before the closure/cancellation of the appropriation to which an obligation was charged, but is not identified and matched with the proper obligation until after the closure/cancellation of the appropriation, charge that disbursement to the closed/canceled appropriation. Make appropriate corrections to accounting records and reports as necessary. If an error is discovered in a closed/canceled account for a disbursement made prior to the closure/cancellation of that account, then see subparagraph 100213. J.

E. Negative Unliquidated Obligations. Negative unliquidated obligation balances generally occur in an account when valid disbursements are incorrectly matched with obligations and the disbursements exceed the obligations. Negative balances represent error conditions that must be researched and corrected as quickly as possible. For additional guidance regarding negative unliquidated obligations, see Volume 3, Chapter 11.

F. Line Item Detail. The level of detail required to be maintained for expired accounts is the same as that required to be maintained for current accounts. The level of detail facilitates cost determinations and program assessment and evaluation, while permitting visibility over expired accounts, providing an appropriate audit trail, and meeting the objectives of the closing accounts legislation.

G. Uncollectible Accounts Receivable. A write-off of an uncollectible reimbursement receivable does not change total obligations within budgetary accounts. Such write-offs, however, would result in a reclassification to a direct program obligation, of an obligation previously incurred. See [USSGL SFIS Transaction Library](#) for entries to account for uncollectible accounts receivable in closed/canceled accounts.

H. Closing/Canceling an Account with a Negative Balance. The existence of a negative balance does not preclude an account from being closed/canceled. Close/Cancel such accounts, as necessary, with a receivable established for the amount of the negative balance.

1. Submit informational accounting reports (i.e., FMS 2108 and SF 133) for the applicable account until the negative balance is resolved. As appropriate, these informational reports must indicate that the account is closed/canceled, show the amount of the negative balance at the time the account was closed/canceled, and identify the current amount of the applicable receivable.

2. Liquidate a negative balance by receiving offsetting collections. Deposit collections of overpayments to miscellaneous receipts of the U.S. Treasury. An account with a negative balance may indicate that a violation of the Antideficiency Act has occurred. Immediately initiate a formal investigation upon identification. Additional information on Antideficiency Act violations may be found in Volume 14 of this Regulation.

I. Accounting for Uncollectible Accounts Receivable in Closed/Canceled Accounts. Budgetary accounts corresponding to accounts receivable must be closed/canceled when an account is closed/canceled. Total obligations within budgetary accounts do not change when the budgetary accounts are closed/canceled. The write-off of an uncollectible reimbursement receivable results in a reclassification, to a direct program obligation, of an obligation previously incurred under the reimbursable program.

1. For expected refunds, the continued identity of budgetary accounts established to track the status of obligation authority is necessary to assure that cumulative payments, even though paid from a current account, do not exceed the original appropriation of the closed/canceled account.

2. Reclassify proprietary accounts established for accounts receivable applicable to closed/canceled accounts. Deposit the subsequent collections of such amounts for this account to the miscellaneous receipts of the U.S. Treasury.

3. If, after compliance with established collection procedures, it is determined that an account is uncollectible, then write-off the account by charging a bad debt account. The write-off of an uncollectible account applicable to the reimbursable program results in a reclassification, to a direct program obligation, of obligations previously incurred under the reimbursable program.

J. Correction of Reporting Errors in Closed/Canceled Accounts

1. Corrections may be requested for two categories of errors: (a) clerical errors such as misplaced decimals, transposed digits, or transcribing errors resulting in inadvertent cancellations of budget authority; and (b) errors made in classifying a payment made prior to the closing/cancellation of an account, but not discovered until after the account was closed/canceled.

a. For clerical errors, the request must include the appropriation account number, the reason for the restoration, and convincing evidence of the clerical error to justify the restoration required to make the correction. At a minimum, this includes the original accounting record from which the incorrect posting was made and a record showing the incorrect amount.

b. For classification errors, the Department of the Treasury accepts reporting to correctly classify payments previously reported to suspense/clearing accounts or to correct classification errors between current and closed/canceled accounts.

2. Requests for corrections must be submitted by April 1 of the year after the account in question was closed/canceled. Requests must be sent to:

Monthly Treasury Statement Team
Budget Reports Division
Financial and Budget Reports Directorate
Government Wide Accounting
Financial Management Service
3700 East-West Highway, Room 518D
Hyattsville, MD 20782
Telephone: 202-874-9880

3. If a request for the correction of errors affects another DoD Component, then coordinate the request with the affected DoD Component and submit to the [DFAS, Deputy Director for Accounting Operations, 8899 East 56th Street, Indianapolis, IN 46249](#). The DFAS must submit the requests to the Department of the Treasury after completion of its review.

4. See Chapter 11 of this volume for the research and correction of unmatched disbursements and negative unliquidated obligation transactions and processing the resulting adjustments to the Department of the Treasury.