

CHAPTER 10

ACCOUNTING REQUIREMENTS FOR EXPIRED AND CANCELED ACCOUNTS1001 INTRODUCTION

100101. Purpose. This chapter implements within the Department certain provisions of Title 31, United States Code, relating to expired and canceled accounts. The governmentwide amendments to Title 31 are contained in Title XIV of the National Defense Authorization Act for FY 1991 (Public Law 101-510, dated November 5, 1990).

100102. Terminology. Terms associated with accounting for expired and closed or canceled accounts are included in the definitions section (Appendix C) to this chapter.

1002 POLICY AND PROCEDURES100201. Implementation of Permanent Provisions

A. For 5 years after the time an appropriation expires for incurring new obligations, both the obligated and unobligated balances of that appropriation shall be available for adjusting and liquidating obligations properly chargeable to that account.

B. Certain appropriations are available for obligation for a specific period, i.e., annual and multi-year appropriations. Both the obligated and unobligated balances of such appropriations shall be canceled, and will no longer be available for obligation or expenditure for any purpose, on September 30th of the 5th fiscal year after an appropriation's period of availability for incurring new obligations expires (31 U.S.C. 1553(a)).

C. Certain appropriations are available for an indefinite period. Obligated and unobligated balances in such appropriations shall be canceled when (1) no disbursements have been made from the indefinite appropriation for a period of 2 years and (2) the President, the Secretary of Defense or his designee determines the purposes for which the appropriation was made have been carried out (31 U.S.C. 1555).

D. Before an account cancels, the affected DoD Component shall identify valid unliquidated obligations subject to cancellation to determine if (1) appropriations are available for future adjustments or payments against such obligations, or (2) other provisions for adequate resources have been made to pay for such obligations that will cancel with an account.

E. Following cancellation of an appropriation, should it become necessary to adjust an obligation which would otherwise have been properly chargeable (both as to purpose and amount) to an appropriation before cancellation, then the obligation shall be charged to an appropriation currently available for the same purpose, subject to certain limitations discussed in paragraph 100201.F., below.

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 canceled appropriation, the total of all such payments by that current appropriation may not exceed the lesser of:

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

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

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

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

b. For multi-year accounts, the 1 percent limitation applies to the total amount of the appropriation. As an example, if a multi-year account enacted for FY 1992 through FY 1994 is \$100 million, then the 1 percent limitation in FY 1992 would be \$1 million. If, at the end of FY 1992, \$650,000 was used for payment of obligations of canceled accounts, then the amount available to be used for such payments in FY 1993 would be \$350,000 (\$1,000,000 minus \$650,000).

c. For contract changes (as specified in subsection 100202, below), charges made to currently available appropriations will have no impact on the 1 percent limitation rule. That is, the 1 percent (of the currently available appropriation) amount will 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 shall:

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 canceled appropriations at the time they are canceled.

3. Identify to canceled accounts all obligations and payments charged to currently available appropriations, which otherwise would have been properly chargeable

(both as to purpose and amount) to a canceled appropriation (as provided for in paragraph 100201.F., above).

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 canceled appropriation. This amount is determined by subtracting, from the unexpended balance of the appropriation at the time it was canceled, all subsequent obligations and payments made as indicated in subparagraph 100201.G.3., above.

5. Maintain proper general ledger controls for valid unpaid obligations and receivables pertaining to canceled accounts. General ledger controls shall 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 canceled.)

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

A. Public Law 101-510 defines a “contract change” as a change under which a contractor is required to perform additional work. Subsections 100204 and 100205, below, 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 paragraph 100202.A., above. To the extent otherwise appropriate, such amounts maybe charged to applicable accounts which otherwise have expired for incurring new obligation (but have not yet been canceled). Such charges or adjustments shall 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 shall explain the circumstances, contingencies, or management practices that necessitated the adjustment.

C. Title 10, United States Code, section 7313(b), and applicable appropriation language, permit expired appropriations available to the Department to be used for new obligations of appropriations for specific purposes. Those include payment to a Working Capital Fund activity and payment to a contractor for unusual cost overruns and changes in the scope of work for ship overhaul, maintenance, and repair.

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

2. DoD appropriations--primarily Operation and Maintenance, Navy appropriations--covered by 10 U.S.C. 7313(b) expire and are canceled at the same time as other appropriations. 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 appropriations for all purposes normally is 5 years. However, for limited purposes, SCN finds 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 Department of Defense 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 will 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 obligational adjustments and payments.

2. An SCN appropriation is canceled/closed on September 30 of the fifth year following the year of the last OWLD. Before the end of each fiscal year, the Department of Defense 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 an SF 1151, “Non-Expenditure Transfer Authorization” to the new Treasury fiscal year symbol.

3. 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.

C. The obligated and unobligated balances of the merged SCN account are not available for adjusting and disbursing purposes after September 30, 1993.

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 the obligation has been approved by the USD(C), as designee of the Secretary of Defense. Approval shall 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 the obligations is no longer available for new obligation.

A. Requests for approval, if necessary, shall be submitted by the applicable DoD Component to the ODC(P/B).

B. Requests for approval shall include the following documentation:

1. The amount to be obligated,

2. The purpose for which the finds 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. Supporting documentation shall be retained 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 National Security and Appropriations Committees of 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 shall be supported by a written comprehensive statement concerning the reason for the adjustment. This statement should explain the circumstances, contingencies, or management practices which caused the need for the adjustment.

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

100206. Reprocurements. Expired funds also may be used to fund a replacement action--replacement contract--under certain conditions. When a reprocurement action will result in a replacement contract, it may be funded from expired funds if all of the conditions in para-

graphs 100206.A.-D., below, are met. (If all of the conditions cannot be met, current year funds shall be used to fund the requested action.)

A. The DoD Component has a continuing bonafide 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, the termination shall 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 that 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 reprocurement 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. Substantially of the same size and scope as the original contract and

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

E. If a reprocurement action will result in an obligation which exceeds \$4 million, such action shall be submitted to the USD(C) for approval.

F. If a reprocurement action will result in an obligation that exceeds \$25 million, a notice of intention (as discussed in subsection 100205., above), shall be submitted to the congressional committees 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 cognizant congressional committees notifies the USD(C) of its disapproval.

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

A. When making payments from a current appropriation account for obligations of a canceled account, DoD Components must request a “subclass” account from the

Department of the Treasury, Requests for subclass accounts must be submitted in writing to the Treasury Department, through the Defense Finance and Accounting Service, and include the purpose for the payment. The address to which requests should be sent is listed in Treasury Bulletin No. 91-03. These subclass accounts will be used to record applicable payments on the books of the Treasury Department. Such payments shall be reported monthly on each Component's Statement of Transactions.

B. Amounts for obligations that otherwise would have been properly chargeable to a canceled account, but are required to be charged to current accounts, shall be recorded only in the current account when payment is imminent during the current fiscal year. Therefore, amounts for such obligations shall not be reported on the year-end FMS Form 2108 unless payment has been made. However, if at year-end, such amounts for obligations are known to be payable in the coming fiscal year, this information should be footnoted on the year-end FMS Form 2108.

C. Current year obligation adjustments required due to canceled balances shall be entered against specific applicable line items in column k of DD Form 1416, "Report of Programs," as a negative amount. If these adjustments cause the line item to exceed current year reprogramming thresholds, the amount in column k will be footnoted to indicate that the amount is "applicable to canceled account adjustments." No reprogramming action will be required. In addition, the total of all canceled account adjustments charged to the applicable appropriation will be entered in column k as a separate line item titled "Reduction to Finance canceled Account Adjustments." This amount shall be shown as a positive number.

100208. Use of Current Year Funds When Sufficient Obligational Authority Does Not Exist in a Expired Appropriations. Section 1004 of the National Defense Authorization Act for FY 1993 permits current year funds to be used when sufficient obligational authority does not exist in expired appropriations for Fiscal Years before 1992 whose availability for new obligations expired at the end of FY 1985 through FY 1992, and which are not canceled. That authority contains the following restrictions:

A. The amount charged to a current account may not exceed an amount equal to 1 percent of the total amount of the current appropriation being charged, or 1 percent of the total amount of the appropriation of the expired account, whichever is less. (The 1 percent limitation under section 1004 is in addition to the 1 percent limitation under Public Law 101-510 (see paragraph 100201.F., above) that applies to charges that can be made to a current account when the account that should have been charged has been canceled.)

B. The appropriate expired account shall be charged for obligations that are properly chargeable to an expired account whenever sufficient resources exist to find the obligation in the applicable expired account. There should be no charges against a current account if there is a sufficient balance remaining in an expired account.

C. 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, should not be charged 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 cancellation of the expired account.

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

3. The obligation is not otherwise properly chargeable to any Department of Defense current appropriation.

4. The USD(C) has approved the charge to the applicable appropriation and notified the Congress of the proposed obligation, and 30 days have elapsed.

D. The Department must notify the Congress 30 days in advance of incurring such obligations. Therefore, DoD Components shall prepare, and submit to the USD(C) for subsequent transmittal to the Congress, notification of any proposed obligations against a current account for obligations that otherwise would be properly chargeable (except as to amount) to an expired account, except that insufficient resources exist to fund the obligation in the applicable expired account. As a minimum, such notifications shall:

1. Identify the amount to be charged,
2. Identify the purpose for which the funds are to be obligated, and
3. Include a summary of all relevant facts justifying the proposed obligation.

E. Within 60 days after the date of a request to charge an obligation is submitted to the Congress, DoD Components shall submit a report to the USD(C), for subsequent transmission to the Congress and the President, providing the status of an investigation of an Antideficiency Act violation when:

1. An obligation is charged against a current account when the obligation otherwise would be properly chargeable (except as to amount) to an expired account.

2. Insufficient resources exist to fund the obligation in the applicable expired account.

100209. Crediting of Collections After an Account is Canceled

A. Valid accounts receivable shall not be written off as a result of cancellations of appropriations with negative unliquidated obligations. Proprietary accounts must be maintained until settled by the debtor.

B. When collections that are authorized or required to be credited to an account are received after the cancellation of an account, those collections should be deposited in the departmental receipt account 3200, Collection of Receivables from Canceled Accounts. Accounting entries for crediting of collections after an account is canceled are contained in Appendix A.

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

A. Requirements applicable to the 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 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 a specific fiscal year's appropriation. However, in order to preclude application to an appropriation of the limitations on expenditure provided in the new provisions of Title 31, 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 maybe changed only through specific legislation. This authority shall be requested 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 shall submit proposed changes in appropriation language to the ODC(P/B). The ODC(P/B) shall submit the proposed changes to the Office of Management and Budget for approval.

2. Absent specific authority, DoD Components, through the ODC(P/B), may seek reappropriations of canceled balances and defer payment until the

appropriation is available. Receiving a reappropriation will be treated as adding new budget authority.

100211. Antideficiency Act Violations. DoD Components are required to investigate and report violations of the Antideficiency Act when certain limitations are exceeded in Public Law 101-510 and section 1004 of Public Law 102-484 as well as specific provisions in a number of sections of Title 31 of the United States Code. Explicit guidance is provided in Volume 14 of this Regulation.

100212. Control, Reporting, and Certification Requirements. Title 31, United States Code, sections 1554 and 1556, as amended, contains permanent audit, control and reporting requirements pertaining to the liquidation of obligations.

A. Control Requirements

1. Section 1554(a) stipulates that any audit requirement, limitation on obligations, or reporting requirement applicable to an appropriation will 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 will continue to apply during the 5-year period following the period of availability for obligation of that appropriation. Additionally, the limitation will continue after the appropriation has been canceled.

2. DoD Components shall establish internal controls to ensure that an adequate review of obligated balances is performed to support the certification.

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

B. Reporting and Certification Requirements

1. Section 1554. Under the provisions of 31 U.S.C. 1554, 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, canceled balances and adjustments made to appropriation accounts during the preceding fiscal year.

a. Due Date. This report is due not later than 15 days after the President submits his budget to the Congress. The first report was due in 1992 for FY 1991 balances and transactions.

b. 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).

c. Contents. Section 1554(b) requires that these reports shall contain:

(1) 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 Form 2108.

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

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

(4) 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 canceled. These amounts are reported on the fiscal year-end FMS Form 2108.

(5) Identification of all balances 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 Form 2108.

(6) Identification of those appropriation accounts available for an indefinite period that have been canceled because (a) no disbursements have been made from the account for a period of 2 years and (b) 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).

(7) A certification by the DoD Components that the obligated balances in each appropriation account of the Department 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 provide detailed information about other review, accounting, and correction procedures regarding current and expired accounts.

A. Apportionment Procedures. The apportionment schedules (DD Form 1105) will reflect the following footnote: “Up to one percent of the original amount of the appropriation (\$ xxx.xx), or the unobligated balance, whichever is less, may be utilized for the purpose of obligation adjustments and payments, which would otherwise have been properly chargeable (both to purpose and amount) to a canceled appropriation.” To the extent that supplemental appropriations are enacted, reapportionment of the initial “one percent” amount may be requested.

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

C. Payments After Cancellation of Appropriations. Amounts presented for payment that cite appropriations that have been canceled (appropriations beyond the end of the fifth year following the expiration of their availability for incurring new obligations) shall not be paid until the disbursing office has obtained a currently available appropriation fund cite from the funding activity.

D. Unmatched Disbursements for Canceled Accounts. When a disbursement is made properly before the cancellation of the appropriation to which an obligation was charged, but is not identified and matched with the proper obligation until after the cancellation of the appropriation, that disbursement shall be charged to the canceled appropriation. Appropriate corrections to accounting records and reports shall be made as necessary. See paragraph 100212.J., below, if an error is discovered in a canceled account for a disbursement made prior to the cancellation of that account.

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 which should be researched and corrected as quickly as possible. For additional guidance regarding negative unliquidated obligations, see chapter 11 of this volume.

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 should facilitate cost determinations and program assessment and evaluation, while maintaining an appropriate level of visibility over expired accounts, providing an appropriate audit trail, and meeting the objectives of the closing accounts legislation.

G. Uncollectible Accounts Receivable. Appendix A contains appropriate entries to account for uncollectible accounts receivable in canceled accounts. A write-off of an uncollectible reimbursement receivable does not change total obligations within budgetary

accounts. However, such write-off would result in a reclassification, to a direct program obligation, of an obligation previously incurred.

H. Closing an Account with a Negative Balance. Existence of a negative balance does not excuse an account from being canceled. Such accounts should be canceled in accordance with applicable valid requirements and a receivable established for the amount of the negative balance.

1. Informational accounting reports (i.e., FMS 2108, SF 133, and SF 220-9) shall continue to be submitted for the applicable account until the negative balance is resolved. As appropriate, these informational reports should (a) indicate that the account is canceled, (b) show the amount of the negative balance at the time the account was canceled, and (c) show the current amount of the applicable receivable.

2. A negative balance may be liquidated by receiving offsetting collections. Collections of overpayments shall be deposited to Treasury account 3200. An account with a negative balance may indicate that a violation of the Antideficiency Act has occurred. A formal investigation should be initiated immediately. Additional information on Antideficiency Act violations may be found in Volume 14 of this Regulation.

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

1. For refunds receivable, budgetary accounts established to track the status of obligational authority (i.e., undelivered orders, unpaid accrued expenditures and refunds due) shall not be closed since their continued identity is necessary to assure that cumulative payments, even though paid from a current account do not exceed the original appropriation of the closed account.

2. Propriety accounts established for accounts receivable and refunds receivable applicable to canceled accounts shall be reclassified as Accounts Receivable--Canceled Accounts. The subsequent collections of such amounts for this account shall be deposited to the Treasury Miscellaneous Receipts Account.

3. If, after compliance with established collection procedures, it is determined that an account is uncollectible, the account should be written off by charging a bad debts account. The write-off of an uncollectible account or refund receivable applicable to the reimbursable program should result in a reclassification, to a direct program obligation, of obligations previously incurred under the reimbursable program.

J. Correction of Reporting Errors in Expired Accounts. Treasury Bulletin 94-04, "Account Closing Provisions of the FY 1991 National Defense Authorization Act" contains procedures for requesting a correction to an expired account that is now closed.

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 of an account, but not discovered until after the account was closed.

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 Treasury Department will accept reporting to (1) correctly classify payments previously reported to suspense/clearing accounts or (2) correct classification errors between current and closed accounts, when submitted by the deadline below.

2. Requests for the correction of errors must be received by the Treasury Department by March 31 of the year after the account in question was closed. For example, if an expired account was closed in FY 1996, a request for any corrections to that account must be received by the Treasury Department before March 31, 1997.

a. Requests for correction of a clerical error should be sent to the following address:

Finance Management Branch
Financial Management Service
Department of the Treasury
Liberty Center (UCP 723)
Washington, DC 20227

b. Requests for reporting to be allowed against a closed account shall be submitted, along with a hardcopy Statement of Transactions report, to the following address:

Budget Reports Branch
Financial Management Semite
Department of the Treasury
Liberty Center (UCP 749)
Washington, DC 20227

3. If a request for the correction of errors affects another DoD Component, such requests must be coordinated with the affected DoD Component and submitted to the Defense Finance and Accounting Service (DFAS), Deputy Director for Accounting, 1931 Jefferson Davis Highway, Arlington, VA 22240-5291. The DFAS will submit the requests to the Treasury Department after completion of its review.

4. Comptroller General Decision B-251287.3, dated November 1, 1995, stated support for Treasury Department adjustment of DoD canceled appropriation account balances, without regard to administratively established timeframes (contained in Treasury Bulletin 94-04, which is discussed above), to reflect disbursements made before cancellation of the accounts. The CG decision requires that any adjustment made by the Department of Defense be supported by documentary evidence and be able to withstand audit scrutiny. To implement this decision, the USD(C) had issued procedures on June 30, 1995, mandating the research and correction of unmatched disbursements and negative unliquidated obligation transactions and processing the resulting adjustments to the Treasury Department. For further information, see chapter 11 of this volume.

100214. Processing Invoices Involving Canceled Fiscal Year Funds. Appendix B, “Questions and Answers Pertaining to Recessing Invoices from Canceled Fiscal Year Funds,” provides detailed procedures for processing such invoices.

APPENDIX A

ACCOUNTING ENTRIES FOR CREDITING OF COLLECTIONS

1. Public Law 101-510, Section 1405 (31 U.S.C. 1552), "Procedure for appropriation accounts available for definite periods," stipulates the following:

"a. On September 30th of the 5th fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account shall be closed and any remaining balance (whether obligated or unobligated) in the account shall be canceled and thereafter shall not be available for obligation or expenditure for any purpose."

"b. Collections authorized or required to be credited to an appropriation account, but not received before closing of the account under subsection (a) or under section 1555 of this title, shall be deposited in the Treasury as miscellaneous receipts."

2. As noted above, P.L. 101-510 requires that all balances are closed and any collections received after closing are deposited to the Treasury Miscellaneous Receipts Account following the end of the 5th year after expiration of an account. Thus, the following procedures are applicable to accounts receivable and refunds receivable. Accounts receivable are amounts due from others for goods furnished and services rendered. Refunds receivable are requested returns of advances or recoveries of erroneous disbursements that are directly related to, and reductions of, previously recorded payments from the accounts.

3. Budgetary Accounting Entries

a. Accounts Receivable. Budgetary accounts corresponding to accounts receivable shall be closed as follows:

Dr 4222 Customer Orders Accepted
 Cr 4252 Reimbursements Earned - Uncollected

Total obligations within budgetary accounts should not change as a result of the above entry. However, the write-off of an uncollectible reimbursement receivable would result in a reclassification, to a direct program obligation, of an obligation previously incurred under the reimbursable program.

b. Refunds Receivable. Refunds receivable applicable to a direct program are recorded in general ledger account 4932, "Accrued Expenditures - Refunds Due - Direct Program." Refunds receivable applicable to the reimbursable program are recorded in general ledger account 4942, "Accrued Expenditures - Refunds Due - Reimbursable Program." These accounts represent amounts due to be returned from previously made liquidated obligations (Accrued Expenditures - Paid). Budgetary accounts established to track the status of obligational authority (i.e., undelivered orders, unpaid accrued expenditures and refunds due) shall not be

5. If, after compliance with established collection procedures, it is determined that an account is uncollectible, the following entries should be made:

Dr 6129 Bad Debts
 Cr 1310X Accounts Receivable - Canceled Accounts

and

Dr 2411 Deposit Fund Liabilities
 Cr 3610 Uncollected Revenue - General Fund - Miscellaneous
 Receipts

The write-off of an uncollectible account or refund receivable applicable to the reimbursable program should result in a reclassification, to a direct program obligation, of obligations previously incurred under the reimbursable program. (The write-off of an uncollectible refund receivable applicable to the direct program does not require reclassification.) The reclassification of an uncollectible account or refund receivable applicable to the reimbursable program may be accomplished through the following two entries:

a. To eliminate unliquidated reimbursable program obligations, the following entries should be made. (Note: Liquidated reimbursable program obligations previously should have been eliminated through the account closing process.)

Dr 4820 Undelivered Orders - Reimbursable Program
 Dr 4920 Accrued Expenditures - Unpaid - Reimbursable Program
 Dr 4942 Accrued Expenditures - Refunds Due - Reimbursable Program
 Cr 4582 Allotted Reimbursable Program

b. To reclassify the canceled reimbursable program unliquidated and liquidated obligations as canceled direct program obligations, the following entries should be made.

Dr 4611 Uncommitted/Unobligated Allotments - Direct Program
 Cr 4810 Undelivered Orders - Direct Program
 Cr 4910 Accrued Expenditures - Unpaid - Direct program
 Cr 4931 Accrued Expenditures - Paid - Direct program

6. It should be observed that a write-off of uncollectible accounts receivable does not increase total obligation balances in budgetary accounts. However, as noted previously, the write-off of a receivable would result in a reclassification of obligations from the reimbursable to the direct program.

7. A reimbursable order provides obligation authority. Obligation authority is provided by (a) the acceptance of a reimbursable order from other Federal Government accounts that represent obligations of the ordering account and (b) orders from the public, including state and local governments, to the extent accompanied by an advance. This obligation authority is used

(obligated) by the performing activity in fulfilling the accepted order. Fund resources to liquidate reimbursable obligations in the performing activity's account are obtained through payments from the ordering account. Payments may be in the form of advances, progress payments, or final payment upon completion of the order. In the absence of such a payment fund resources are paid from the direct program authority of the performing account.

8. To the extent that (a) obligations, due to the reclassification of reimbursable program obligations, are in excess of direct program obligation authority, or (b) expenditures (liquidation of obligations) are in excess of appropriated funds plus reimbursements expected to be earned and collected, there is a violation of the Antideficiency Act. For additional guidance on violations, see Volume 14 of this Regulation.

9. The status of obligated and unobligated balances in direct and reimbursable programs, even in an account which has been closed, must be continuously maintained. If direct program unobligated balances in a closed account are sufficient to absorb the reclassification of reimbursable program obligations, the charging of write-offs of uncollectible receivables to current year accounts does not appear necessary.

a. The presence of a sufficient existing unobligated balance in a closed account in a direct program is determined by deducting from the unobligated balance at the time of cancellation all amounts charged to current appropriations which otherwise would have been chargeable to the closed account, both as to purpose and in amount, except that the account was canceled. Thus, if obligations and/or expenditures are incurred against a reimbursable order, and if that reimbursable order later is declared uncollectible, then a violation would exist to the extent that appropriated (direct program) resources existing in a closed account are not sufficient to absorb those obligations and/or expenditures.

b. Thus, to avoid a violation of the Antideficiency Act, the presence of a sufficient unobligated balance in an existing direct program must exist in a closed account to absorb the reclassification of uncollectible reimbursable program receivables. However, in accordance with closing account legislation, the actual payment of an amount originally obligated in an account that has since closed shall be made from a current account available for the same purpose subject to the 1 percent limitation.

APPENDIX B

QUESTIONS AND ANSWERS PERTAINING TO PROCESSING INVOICES FROM
CANCELED FISCAL YEAR FUNDS

1. Should contract modifications be issued to obligate current year funds?

Answer: Contract modifications citing current year funds for unpaid amounts are not required simply because previous valid obligations were from appropriations subsequently canceled. The document providing the chargeable fund cite to the disbursing officer should be used as the obligation document at the time of payment. Additionally, applicable contracts should be annotated to indicate the appropriation from which the payment was made.

2. Are there invoice submission cut-offs for subsequent expiration dates?

Answer: Cut-off dates involving expired account transactions should be no different than for other transactions. However, special efforts should be made to ensure that all valid invoices citing accounts subject to cancellation are processed before the account is canceled. The official cancellation date is September 30. Therefore, all valid invoices dated as of September 30 may be charged against an account before it is canceled.

3. Are there any prohibitions against reallocating previous payments to oldest year funds in the contract?

Answer: The Department's current policy provides for progress payments to be identified to the appropriate contract line/fiscal year. Only when such an identification is not feasible should the amounts be allocated to contract lines or fiscal years. In the absence of contractor or program management identification, current guidance permits such allocations to be made to the oldest fiscal year. For previous allocations, if the benefiting fiscal year is known, the applicable amounts should have been charged to the benefiting fiscal year. However, if the benefiting fiscal year is unknown and amounts already have been allocated, there is little basis for reallocating those funds to the oldest fiscal year.

4. What is the definition of payment adjustments as they relate to Public Law 101-510?

Answer: Payment adjustments may result from escalation or economic price adjustments, or from final audit and settlement. Payment adjustments exclude contract changes and changes in scope as well as any other change that results in additional contractor billable costs.

5. How should adjustment billings submitted by a contractor as a result of definitization of a contract be handled?

Answer: If the definitization of a contract results in an additional amount due to the contractor, and the additional amount would be chargeable to a canceled appropriation, then

current year funds must be requested. If the definitization results in an amount due from the contractor which would have been credited to a canceled appropriation, that amount must be credited to miscellaneous receipts account 3210. However, amounts due to expired, but not yet canceled, appropriations should be credited to the expired appropriation.

6. What is the process for the payment office to request current year funds to pay an invoice in-house?

Answer: Within 48 hours after receipt of an invoice payable from canceled funds, the disbursing officer shall: (a) identify the budget office funding the contract by contacting the fiscal office and (b) notify the head of the office, installation, or activity in which the budget office is located of the need for funds. Only the net amount required (total amount less progress payments paid) shall be requested. Notification should be by message, express mail or facsimile and should include identification of the contract, contractor, invoice date, invoice amount, and payment due date (including DoD required payment data for progress payments and interim vouchers). The disbursing officer shall provide copies to the procurement contracting officer.

The office, installation, or activity funding the contract should notify the disbursing officer or replacement funds chargeable to an appropriation currently available for the same purpose. This notification should be transmitted by message, express mail or facsimile as soon as possible, but no later than 15 calendar days from the date of the disbursing officer's request. If replacement funds cannot be provided within 15 calendar days, an estimate should be provided as to when the funds are expected to be available.

APPENDIX C

DEFINITIONS

1. Adjustments to Expired or Closed Accounts. Increases or decreases to commitments, obligations, or expenditures. Adjustments include recording commitments, obligations, or expenditures that were made or incurred during the period prior to expiration or cancellation of the account but not recorded.
2. Closed/Canceled Accounts. Accounts with balances that have been canceled under Title 31, United States Code, sections 1552, 1555, or 1557. Once balances are canceled, the amounts are not available for obligation or expenditure for any purpose.
3. 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. There are various types of expired accounts:
 - a. Expired Accounts Established Under P.L. 101-510. Expired accounts that (1) contain unliquidated obligated and unobligated balances, (2) maintain their fiscal year identity for five years, and (3) are available for recording, adjusting, and liquidating obligations properly chargeable to that account. These accounts began with balances that expired on September 30, 1991.
 - b. Expired Accounts (established before November 5, 1990) that were not Transferred to the "M" Accounts or Canceled. Accounts that (1) contain obligated balances that expired on September 30, 1989, and September 30, 1990; (2) contain unobligated balances that were restored from surplus funds; and (3) maintain their fiscal year identity until their balances are canceled on September 30, 1994, and September 30, 1995, respectively.
 - c. "M" Accounts (Established before November 5, 1990). Expired accounts that (1) contain unliquidated obligated balances and (2) have been merged with unliquidated obligated balances from prior years. "M" accounts generally are established by appropriation title (e.g., Operation and Maintenance, Procurement, Research and Development) for the same general purpose. No new "M" accounts will be established; all such accounts were canceled on September 30, 1993.
 - d. Merged Surplus Authority (Established before November 5, 1990). Expired accounts with (1) balances that were available for upward adjustments to prior obligations that were previously incurred and (2) were canceled on December 5, 1990. These were obligated balances withdrawn by the Treasury Department for accounts which have been expired for more than two years.

4. 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 multi-year accounts. The universe of appropriation or fund accounts is made up of fixed accounts and no-year accounts.

5. Section 1004 Obligations. For purposes of implementing the provisions of section 1004 of P. L. 102-484, the term “obligation” means any binding agreement properly chargeable to a fiscal year that is expected to result in an outlay. An obligation includes, but is not limited to, an upward obligation adjustment or a reobligation.

6. 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 shall continue to apply after the end of the period of availability for obligation or expenditure of that account.

7. 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.

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