

**VOLUME 3, CHAPTER 15: “RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – EXECUTION LEVEL”**

**SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also denoted by [blue font](#).

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

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

Hyperlinks are denoted by [\*\*\*bold, italic, blue, and underlined font\*\*\*](#).

The previous version dated [August 2015](#) is archived.

| <b>PARAGRAPH</b>     | <b>EXPLANATION OF CHANGE/REVISION</b>  | <b>PURPOSE</b> |
|----------------------|--|----------------|
| 1.2<br>(150102)      | Added a new paragraph and hyperlink to the Deputy Chief Financial Officer (DCFO) memorandum “Accounting for Internal Funds Distributions; Interpretation Guidance for General Fund Appropriations,” dated August 3, 2016 describing general ledger accounts, and transaction codes that must be used to show the flow of funds from the department level to the execution level. | Addition       |
| 2.0<br>(1502)        | Added a new section, Definitions.  | Addition       |
| 3.3.6.<br>(150303.F) | Updated general ledger accounts used to record the closing of unobligated balances to expiring authority, for commitments – programs subject to apportionment.   | Revision       |
| 3.7.2.<br>(150307.B) | Updated the location where readers can access policy, guidance, and information on foreign military indebtedness.  | Revision       |

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## CHAPTER 15

**RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES –  
EXECUTION LEVEL**

## 1.0 GENERAL (1501)

## 1.1 Purpose (150101)

This chapter prescribes the standards for recording the receipt and subsequent distribution of budgetary resources in execution-level activities. The execution-level budgetary and proprietary accounts are used to record the receipt of an allotment issued from a higher authority, e.g., the Assistant Secretary of the Air Force (Financial Management and Comptroller), and the further distribution of funds, i.e., subdivision of the allotment (suballotment, allocation, or suballocation) to another execution-level activity. See Chapter 13 for departmental-level and Chapter 14 for intermediate-level requirements.

## \*1.2 Authoritative Guidance (150102)

1.2.1. The Office of Management and Budget ([OMB Circular A-11](#)) provides an overview of the budget process and specific requirements for preparation and submission of the budget. The United States Department of the Treasury (Treasury) is responsible for Government-wide reporting and issues requirements in the [Treasury Financial Manual](#). Volume 14, Chapter 1 prescribes the Department of Defense (DoD) requirements for the administrative control of funds in accordance with OMB Circular A-11, Appendix H, and identifies additional authorities in paragraph [010103](#).

1.2.2. The [Accounting for Internal Funds Distribution](#)<sup>1</sup> memorandum provides an overview of the appropriate general ledger accounts and transaction codes that must be used to record the flow of funds from the department level to the execution level. Military Departments and DoD agencies must ensure they are following the procedures outlined in this memorandum regarding the internal funds distribution accounts to ensure proper alignment of these accounts within the Defense departmental reporting process. The internal funds distribution guidance explains how these entries must be recorded (budgetary and proprietary), the impact on internal and external financial reporting, and identifies the accounts that must be used from issuance and receipt of funds through the year-end closing process.

## \*2.0 DEFINITIONS (1502)

## 2.1 Departmental Level (150201)

Involves recording receipt and distribution of budgetary resources at the department level, headquarters, or Office of the Secretary of Defense (OSD) level as discussed in Chapter 13.

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<sup>1</sup> The Deputy Chief Financial Officer (DCFO) memorandum “Accounting for Internal Funds Distributions; Interpretation Guidance for General Fund Appropriations,” dated August 3, 2016.

## 2.2 Intermediate Level (150202)

Involves recording receipt and distribution of budgetary resources using the intermediate-level accounts. Refer to Chapter 14 for restrictions on the use and application of the intermediate level accounts.

## 2.3 Execution Level (150203)

Involves recording receipt and distribution of budgetary resources using the execution-level budgetary accounts as discussed in this chapter.

## 3.0 STANDARDS (1503)

### 3.1 Accounts (150301)

3.1.1. This chapter discusses the accounting standards for receipt and execution of allotments, commitments, obligations, reimbursements, and borrowing authority. The accounting transactions covered in this chapter frequently require a compound entry; i.e., entries that must be made in both the budgetary and proprietary accounts.

3.1.2. The accounts established at the execution-level accounting entities implement the DoD Standard Chart of Accounts prescribed in Volume 1, Chapter 7. Both the budgetary and proprietary accounting entries for the DoD general ledger accounts are specified in the DoD USSGL Transaction Library that can be accessed on the Standard Financial Information Structure ([SFIS](#)) resources web page.

### 3.2 Allotments Received (150302)

#### 3.2.1. Requirements

3.2.1.1. Budgetary authority is formally distributed by allotment, suballotment, allocation, and suballocation. The OMB Circular A-11, Appendix H, defines these terms and a specific subdivision hierarchy (see Volume 14, Chapter 1). These subdivisions distribute budget authority to execution-level accounting activities and authorize the incurrence of obligations within a specified amount. Only the term allotment will be used in this chapter.

3.2.1.2. Any formal subdivision of funds must contain at least the same statutory and other limitations applicable to the original apportionment.

3.2.1.3. Although an allotment document format is not prescribed, it must disclose specific classifications and limitations that must be tracked in the accounting records. For instance, an appropriation committee may state that a specific amount has been added to an appropriation for a certain purpose. To ensure that the congressional intent is accomplished, the accounting entity receiving an allotted share of such budget authority must account for the share amount, and the obligations and expenditures.

3.2.1.4. An allotment received at the execution level must retain the same SFIS Budget Line Item Identifier as that of the allotment issued to the execution level. Similarly, the SFIS Sub-Allocation Holder Identifier (SAHI, formerly “Limit”) and Budget Allotment Line Item Identifier must be retained throughout the funds distribution life cycle, as applicable.

### 3.2.2. Accounting Entries

3.2.2.1. To record the direct budgetary authority received by an execution-level component through either allotment or suballotment of authority:

#### Budgetary Entry

Dr 458000 Allotments Received  
Cr 461000 Allotments – Realized Resources

#### Proprietary Entry

Dr 101000 Fund Balance With Treasury  
Cr 310100 Unexpended Appropriations–Appropriations Received

3.2.2.2. To record the suballotment of direct budgetary authority at the execution level:

#### Budgetary Entry

Dr 461000 Allotments-Realized Resources  
Cr 457000 Allotments Issued

#### Proprietary Entry

Dr 310100 Unexpended Appropriations – Appropriations Received  
Cr 101000 Fund Balance With Treasury

3.2.2.3. Record direct budgetary authority received by an execution-level activity through suballotment of authority using the transaction in subparagraph **150302.B.2**. Note: The status of suballotments is tracked and reported by the SFIS Budget Line Item Identifier of the allotter of the funds.

3.2.2.4. To close allotments and suballotments of budget authority within the execution level that remains unobligated upon expiration of the period of availability:

#### Budgetary Entry

Dr 461000 Allotments-Realized Resources  
Cr 458000 Allotments Received

#### Proprietary Entry

Dr 310100 Unexpended Appropriations-Appropriations Received  
Cr 101000 Fund Balance With Treasury

3.2.2.5. To close suballotments within the execution level that remains unobligated upon expiration of the period of availability:

Budgetary Entry

Dr 457000 Allotments Issued

Cr 461000 Allotments-Realized Resources

Proprietary Entry

Dr 101000 Fund Balance With Treasury

Cr 310100 Unexpended Appropriations-Appropriations Received

### 3.3 Commitments (150303)

3.3.1. A commitment is an administrative reservation of allotted funds, or of other funds, in anticipation of their obligation. Since an obligation equal to or less than the commitment may be incurred without further recourse to an authorizing official, commitments are required for some appropriations (see subparagraph 150303.C) and are permissible for others. A commitment, when recorded in the accounting records, reduces the allotment's available fund balance. A commitment document must be signed by a person authorized to reserve funds; i.e., the official responsible for administrative control of funds for the affected subdivision of the appropriation. This helps ensure that the subsequent entry of an obligation will not exceed available funds.

3.3.2. Chapter 8 contains the detailed requirements for estimating and recording the amounts of commitments.

3.3.3. Commitment accounting is required by agreement with OMB for the procurement; military construction; and research, development, test and evaluation appropriation accounts. However, commitments need not be recorded for small purchases if, in the aggregate, they are not significant in the management of funds. Commitment accounting is not required for the operation and maintenance appropriation accounts, revolving fund accounts, or military personnel appropriation accounts, but may be used if cost effective.

3.3.4. A commitment generally is not recordable from an action document approving a procurement program because execution of the program requires specific actions to reserve all or part of the subdivision of funds made available to the program. The program approval may be recorded as an initiation (see subparagraph 150303.E). Also, a commitment usually is not recordable from an order to commence procurement since such orders generally are not firm reservations permitting the recording of an obligation without recourse to the person authorized to reserve funds. These orders may be recorded as initiations.

3.3.5. Initiations are entered into memorandum accounts to ensure that precommitment actions, such as approved procurement programs and procurement orders, are maintained within the available subdivision of funds. An initiation results in an administrative reservation of funds based upon procurement orders, requests, or equivalent instruments. It authorizes preliminary negotiation of procurement actions, but requires that the action must be referred to the official responsible for administrative control of funds prior to incurrence of the obligation. Since

initiations are not part of the official accounting requirements, allotment issuers or receivers who require initiation accounting must ensure that the procedures and practices are cost effective.

\* 3.3.6. Outstanding commitments must be closed/canceled as of the end of the period that the appropriation is available for obligation. Commitments cannot exist in expired appropriation accounts. [To record the closing of unobligated balances to expiring authority, for commitments – programs subject to apportionment:](#)

Budgetary Entry

Dr 470000 Commitments-Programs Subject to Apportionment  
Cr 465000 Allotments – Expired Authority

Proprietary Entry

None

### 3.4 Obligations (150304)

3.4.1. Obligations incurred are the amounts of orders placed, contracts awarded, services received, and similar transactions during an accounting period that will require payment during the same or future period. These amounts include payments for obligations that were not previously recorded, adjustments for differences between obligations previously recorded, and actual payments to liquidate those obligations.

3.4.2. The execution-level budgetary account structure requires that the amount of obligations incurred be segregated into undelivered orders unpaid, prepaid or advanced, and delivered orders unpaid or paid. Delivered orders paid is the definitive final stage of obligations incurred. It must be recorded regardless of whether the preceding steps of ordering (undelivered order) and delivery (unpaid delivered orders) were recorded.

3.4.3. Undelivered orders are contracts or orders issued for goods and services for which the liability has not yet accrued. The orders may be for any goods or services that are required to meet a bona fide need of the issuing entity.

3.4.4. Accounts 490100, *Delivered Orders – Obligations, Unpaid* and 490200, *Delivered Orders – Obligations, Paid* are used for the credits entered into the budgetary accounts to recognize liabilities incurred and payments made for (a) services performed by employees, contractors, other government accounting entities, vendors, carriers, grantees, and lessors; (b) goods and other tangible property received; and (c) [programs for which no current service performance is required such as annuities, insurance claims, benefit payments, and loans.](#)

3.4.5. Reductions or cancellations of prior year obligations in no-year and unexpired multiple year (multi-year) accounts must be reported specifically in budget execution reports (see Volume 6A, Chapter 4).

3.4.6. Chapter 8 contains the detailed requirements for determining and recording the amounts of obligations.

### 3.5 Reimbursements and Refunds (150305)

#### 3.5.1. Definition

3.5.1.1. Reimbursements are collections earned for selling goods or services. Reimbursable obligations are obligations financed by offsetting collections credited to an expenditure account in payment for goods and services provided by that account. The collection must be authorized by law to credit the specific appropriation or fund account. Within DoD, the Under Secretary of Defense (Comptroller) must authorize reimbursable authority through budget formulation and statutory authorization of the budget. Except for refunds and reimbursements, collections are deposited in Treasury as miscellaneous receipts.

3.5.1.2. Refunds are repayments of excess payments and are to be credited to the appropriation or fund account charged with the original obligation in accordance with OMB Circular A-11, section 20.9 (see Table 15-1). The amounts must be directly related to previously recorded obligations incurred and expenditures made against the appropriation; and are reductions to those expenditures. Refunds to appropriations represent amounts collected from outside sources for payments made in error, overpayment, or adjustments for previous amounts disbursed. Amounts in excess of the refund, i.e., interest and penalty charges collected that are related to refunds must be deposited in Treasury as miscellaneous receipts. **Any items returned to Defense Working Capital Fund (DWCF) supply activities from DWCF customers are to be considered as a recovery (and not classified as a refund).** See Volume 4, Chapter 3, Annex 1 for accounting policy on the disposition of interest, penalties, and administrative charges. Also, see Volumes 11A, 11B, and 15 for additional policy requirements for reimbursements.

3.5.1.3. For returned cash advances, other offsetting collection, or special or trust fund receipts received in a prior fiscal year, an obligation and an outlay in the current fiscal year must be recorded in accordance with OMB Circular A-11, section 20.10.

3.5.1.4. In general, collections in the absence of an authorized reimbursable program for DoD goods and services do not create budgetary resources. Except for refunds, such collections must be deposited in Treasury as miscellaneous receipts unless the deposit to an appropriation or fund is authorized by law. Refunds attributable to the use of the Government purchase and travel cards and Government travel arranged by Government Contracted Travel Management Centers may be credited to Operation and Maintenance; and Research, Development, Test, and Evaluation accounts that are current when the refunds are received. Volume 11A, Chapter 3 and Volume 11B, Chapter 3 contain the general statement of policy regarding work performed or material provided between DoD and other Federal agencies.

#### 3.5.2. Anticipated Reimbursements

3.5.2.1. Anticipated reimbursements are, in the case of transactions with the public, the **estimate of reimbursements expected to be earned during the current fiscal year, subject to OMB apportionment, other authorized reimbursements, and/or other income for which current fiscal year obligational authority is automatically established based on customer orders received.**



In transactions between United States (U.S.) Government accounting entities, anticipated reimbursements consist of orders expected to be received but have not been accepted. Anticipated reimbursements may not be used as a source of obligational authority until a customer order is accepted unless such use specifically is authorized in statute. The primary example of the use of anticipated reimbursements to create obligational authority is a revolving fund in which anticipated reimbursements underlie apportionments of reimbursable authority.

3.5.2.2. An allotted reimbursable program does not constitute authority to incur obligations. Obligations may be incurred only upon acceptance of a customer order. The reimbursable program does not have to be specifically allotted. Apportionment, allotment, and allocation of the reimbursable program may be treated as “automatic” when written OMB approval is obtained by the DoD Component responsible for the appropriation concerned. OMB approval is dependent upon meeting the criteria for automatic apportionment of reimbursements contained in Chapter 2.

3.5.2.3. At the beginning of each fiscal year an entry must be made to record an allotment of anticipated reimbursable program authority. For an automatically apportioned reimbursable program, the predominant type within DoD, an estimate of the expected reimbursable program must be entered. For a specifically apportioned reimbursable program, the exact amount specified in the allotment instrument must be entered. An estimate of automatically apportioned reimbursable authority may be revised, upward or downward, by the performing activity at any time during a fiscal year to reflect the current estimate. The specifically apportioned reimbursable program authority may not be revised unless a revised allotment instrument is requested and received. An allotment of anticipated reimbursable program authority does not provide obligation authority. An allotment of anticipated reimbursable program authority provides only authority to accept reimbursable orders. The accepted reimbursable order provides the obligation authority. See subparagraph [150305.C.2](#) for information on specific types of customer orders.

3.5.2.4. The accounting entry to record the receipt of reimbursable authority [by the performing entity](#) is as follows:

Budgetary Entry

Dr 421000 Anticipated Reimbursements and Other Income  
 Cr 459000 Apportionments – Anticipated Resources –  
 Programs Subject to Apportionment

Proprietary Entry

None

3.5.3. Customer Orders

3.5.3.1. Accepted customer orders establish obligational authority in a performing allotment. Unfilled customer orders are the amounts of orders accepted from other accounting entities within the U.S. Government for goods and services to be furnished on a reimbursable basis; or, in the case of transactions with the public, are amounts collected in advance for which the accounting entity has not yet performed as requested. On an exception basis, there may be orders

from the public received and accepted without payment in advance, but only when specifically permitted by statute. Acceptance of a customer order requires that the performing accounting entity agree in writing to perform the work for the requesting (customer) accounting entity. Volume 11B, Chapter 3 discusses the written requirements that are used to document these requests and acceptances. Account 422100, *Unfilled Customer Orders Without Advance*, and account 422200, *Unfilled Customer Orders With Advance*, are the execution-level budgetary accounts that are used, as applicable, to record obligational authority for the reimbursable program. Corresponding amounts are recorded in account 421000, *Anticipated Reimbursements and Other Income*. An allotment of reimbursable program authority, whether specific or automatic, authorizes the reimbursable program. It does not establish obligational authority.

3.5.3.2. For reimbursable customer orders between Federal Government entities where both the performing and ordering agencies are using multi-year appropriation accounts, the agency accepting the order from a multi-year appropriation account must record the obligational authority resulting from the order against its multi-year appropriation account with a like period of availability. If the performing and ordering agency accounts have different periods of availability, such as when a performing agency uses its one-year Operations and Maintenance appropriation to fill an order funded by a customer's multi-year appropriation account, such reimbursable customer orders and their related transactions must be applied in accordance with OMB Circular A-11, section 130.9. In such instances, the performing agency must obtain authorization each fiscal year in order to execute the unobligated balance in the subsequent fiscal year. For guidance on Economy Act orders, see Volume 11A, Chapter 3.

3.5.3.3. For additional guidance on project orders, i.e., between DoD entities, see Volume 11A, Chapter 2.

3.5.3.4. For general guidance on non-Economy Act orders, see Volume 11A, Chapter 18.

3.5.3.5. For additional guidance on orders placed with or through Defense Working Capital Fund activities, see Chapter 8, sections 0808 and 0809.

3.5.4. Unearned Revenue. Unearned revenue is the amount recognized as received by a performing organization in the form of advance payments for the future delivery of goods, services, or other assets. [A compound entry is required to record reimbursable orders received and accepted with payment in advance, Debit Account 422200, \*Unfilled Customer Orders With Advance\*, and Credit account 422100 – \*Anticipated Reimbursements and Other Income\*.](#) A compound entry is also required to credit account 231000, *Liability for Advances and Prepayments*, and debit account 101000, *Fund Balance with Treasury*. Compound entries must be made to recognize advance payments in both the budgetary accounts and proprietary accounts.

### 3.5.5. Earned Reimbursements

3.5.5.1. An earned reimbursement is the amount recognized when a performing organization renders actual or constructive performance on a reimbursable order. Generally, it is at the point of recognition of a paid or unpaid delivered order that compound entries must be made to record the performance and earnings in both the budgetary accounts and in the proprietary accounts.

3.5.5.2. Generally, reimbursements must recover the cost elements set forth in Volume 11A, Chapter 3, and Volume 11B, Chapter 3. However, other billing prices may be established when specifically authorized by a DoD issuance (e.g., directive or instruction).

3.5.5.3. Reimbursements must be accounted for separately by the accounting entity having responsibility for collection. Appropriate billing documents indicating the specific property delivered or services rendered, quantities, dollar amounts, and reference to each customer order must be maintained.

3.5.5.4. Earned reimbursements must be recorded and billed promptly in the accounting period earned. See Volume 11A, Chapter 1 for information on reimbursement procedures and supporting documentation.

3.5.5.5. Collections from DoD accounting entities generally should be made without the use of checks through processing the billing and collecting entries simultaneously in the disbursing officers' accounts. The requesting accounting entity must record its obligations in accordance with the standards for recognition of obligations in Chapter 8.

3.5.6. Proceeds from Assets Sold. In accordance with OMB Circular A-11, section 83.5, proceeds from assets sold for replacement provide direct resources. Therefore, when proceeds from assets sold are used to replace assets sold, the obligation must be classified as direct. For Foreign Military Sales (FMS) and non-FMS asset sales, a determination first must be made whether the item requires replacement or that it will not be replaced (free assets). Proceeds from FMS sales of free assets must be deposited in Treasury as miscellaneous receipts or in the Special Defense Acquisition Fund (SDAF). For SDAF information, see the Defense Security Cooperation Agency's [Security Assistance Management Manual, Chapter 11](#), (section C.11.9). Proceeds from all other assets sold for replacement must be credited to the account funding the replacement in the period of availability with the latest expiration date at the time of collection. Collections must be made before obligations can be incurred for replacement.

## 3.6 Borrowing Authority (150306)

3.6.1. Borrowing authority is statutory authority to incur obligations and to make payments for specified purposes out of borrowed money. It must be established as needed by the acquisition of property subject to a mortgage, and withdrawn upon payment of the mortgage principal. When the mortgage is assumed by a buyer, the borrowing authority is disestablished.

3.6.2. The accrued expenditures for the acquisition of homes subject to mortgages payable that are assumed by the U.S. Government must include the amount of the mortgage balance payable. The accrued revenues for the sale of homes subject to mortgages payable that are assumed by the buyer must include the amount of the mortgage balance payable. Homes may be sold subject to another loan of all or part of the cash purchase price to the new buyer. In this case, the U.S. Government would have a second mortgage on the home. The revenue for the sale includes this mortgage receivable.

3.6.3. The assumption of a mortgage payable by the U.S. Government is an increase in the borrowing account. The payments on the mortgage principal are decreases in the borrowing account. The assumption of the mortgage balance payable by a buyer is a decrease in the borrowing account. The borrowing account is equal to borrowing authority.

3.6.4. The total acquisition cost of the property and the mortgage assumed must be in accordance with Volume 6A, Chapter 3.

### 3.7 Additional Guidance (150307)

3.7.1. For policy guidance and information on the Homeowners Assistance Program, see [DoD Directive 4165.50E](#) and [Title 42, United States Code, section 3374](#).

\* 3.7.2. For policy guidance and information on foreign military indebtedness, see [Volume 16, Chapter 6](#).

3.7.3. For policy guidance and information on the military housing privatization program, see [Volume 2B, Chapter 6](#) and [Volume 6A, Chapter 9](#).

## 4.0 ACCOUNT ADJUSTMENTS (1504)

### 4.1 Fiscal Year-End Adjustments to Appropriation Accounts (150401)

At fiscal year-end, [DoD Components who receive appropriations](#) must ensure that obligational authority and obligations are accurately stated in view of the most current information available. Actions to accomplish these fiscal year-end adjustments include the following:

4.1.1. Review and validate unfilled orders under the Economy Act and Non-Economy Act (see [Volume 11A, Chapters 3 and 18](#), respectively). Cancel those orders funded from expiring accounts or the portion thereof that will not be obligated by fiscal year-end. Notify ordering activities of order reductions that affect their obligations and fund availability.

4.1.2. Review and validate unfilled project orders funded by expiring accounts. Cancel those orders that will not be started by January 1 of the ensuing fiscal year. Notify ordering activities of order reductions that affect their obligations and fund availability.

4.1.3. Review anticipated reimbursements to eliminate anticipated reimbursements for orders not accepted.

4.1.4. Review estimated obligations for possible overstatement or understatement.

4.1.5. Review obligations for goods and services ordered. Cancel orders or contracts for goods or services that are no longer needed or that are not likely to be delivered, and deobligate the appropriate amounts. A contract modification, or similar authorized contracting officer action, is required to deobligate these amounts.

4.1.6. The internal fund distribution account closing transactions are as follows:

4.1.6.1. To close direct budgetary authority allotments or suballotments received at the execution level upon expiration of the period of availability:

Budgetary Entry

Dr 420100 Total Actual Resources-Collected  
Cr 458000 Allotments Received

Proprietary Entry

None

4.1.6.2. To close direct budgetary authority issued through allotment or suballotment upon expiration of the period of availability:

Budgetary Entry

Dr 457000 Allotments Issued  
Cr 420100 Total Actual Resources-Collected

Proprietary Entry

None

## 4.2 Adjustments to Expiring Accounts (150402)

4.2.1. Cancel outstanding commitments in expiring accounts. Outstanding commitments must be canceled as of the end of the period that an appropriation is available for obligation. Commitments are not allowed in expired accounts. See subparagraph 150303.F for recording the transaction for commitments that remain unobligated upon expiration of the period of availability.

4.2.2. Review completed customer orders to restore reimbursable program obligational authority made available that was in excess of performance cost. Earned amounts that remain uncollected must be eliminated from the expiring appropriation account and established against the miscellaneous receipt account to which the future collection is to be deposited.

4.2.3. Reduce the balance in accounts 422100, *Unfilled Customer Orders Without Advance* and 422200, *Unfilled Customer Orders With Advance* to the amount of valid remaining incomplete customer orders only. Cash advances accepted for non-Federal customer orders that remain unused (i.e., no performance) by the end of the fiscal year must be returned.

4.2.4. Eliminate any balance remaining in account 421000, *Anticipated Reimbursements and Other Income*.

#### 4.3 Adjustments to Canceled Appropriation Accounts (150403)

Upon cancellation of an appropriation, and prior to normal closing entries, cancel all obligations (undelivered orders and unpaid obligations) and uncollected reimbursements.

#### 4.4 Report Preparation and Closing (150404)

After completion of the adjustments, budget execution reports must be prepared as specified in Volume 6A, Chapter 4. After completion of the reports, close obligational and reimbursable authority.

#### 4.5 Expired and Canceled Accounts (150405)

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

4.5.2. For appropriations that are available for obligation for a specific period, i.e., annual and multi-year appropriations, on September 30 of the fifth fiscal year after an appropriation's period of availability for incurring new obligations expires, both the obligated and unobligated balances of that appropriation are required to be canceled and will no longer be available for obligation or expenditure for any purpose.

4.5.3. Following cancellation of an appropriation, if it becomes necessary to record an obligation or an adjustment to an obligation, which otherwise would have been properly chargeable (both as to purpose and amount) to an appropriation before it was canceled, the obligation should be charged to an appropriation currently available for the same purpose.

4.5.4. 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:

4.5.4.1. 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

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

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

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

4.5.4.3.2. For multi-year accounts, the one percent limitation applies to the total (multi-year) amount of the appropriation.

4.5.4.3.3. For contract changes, charges made to currently available appropriations will have no impact on the one percent limitation rule. That is, the one percent of the currently available appropriation amount will not be decreased by the charges made to current appropriations for contract changes.

4.5.5. See Chapter 10 for additional policy on expired and canceled accounts.

#### 4.6 Expired Authority (150406)

4.6.1. Accounting. Expired authority is composed of (a) unobligated balances and (b) obligated but unliquidated balances remaining in appropriations that are no longer available for incurring new obligations. The balances are no longer available because the time available for incurring such obligations has expired. Separate accounts for each expired fixed appropriation must be maintained by its fiscal year identity for 5 years following the appropriation's period of availability for obligation.

#### 4.6.2. Elimination of Unobligated Balances

4.6.2.1. Direct Program. Unobligated budget authority of an expired appropriation, at the time of its expiration, must be closed to account 465000, *Allotments - Expired Authority*.

4.6.2.2. Reimbursable Program. Closing entries eliminate reimbursable program authority that has been expended. In addition to the elimination of expended reimbursable program authority, a change is necessary to eliminate unobligated reimbursable program authority existing at the time of expiration of the receiving appropriation. Unobligated reimbursable program authority must be returned to the financing appropriation. The obligation authority necessary to finance any subsequent upward obligation adjustments must be requested from that financing appropriation. See subparagraphs [150305.C.2](#) and [150402.C](#) for additional information on multi-year reimbursable authority and cash advances from non-Federal sources, respectively.

4.6.3. Adjustments. During the 5 years following the appropriation's period of availability for obligation, obligations may be adjusted upward and downward and disbursements may be made from these expired appropriations. Account 465000, *Allotments – Expired Authority*, is a credit balance account that, prior to appropriation cancellation, is equal to the balance of unobligated expired program budget authority. Expired authority, prior to appropriation cancellation, provides the ability to a DoD Component to adjust obligations upward that were previously under recorded or to record obligations that should have been recorded (but were not) against an expired appropriation before its expiration.

#### 4.7 Canceled Authority (150407)

On September 30th of the fifth fiscal year after the period of availability for obligation of a fixed appropriation account ends, the account must be closed and any remaining balance (whether obligated or unobligated) in the account must be canceled and, thereafter, must not be available for obligation or expenditure for any purpose. The obligational status of a canceled account continuously must be maintained even though no expenditures or collections may be made to that account. In addition, collections authorized, or required to be credited to an appropriation account, but not received before closing of the account, must be deposited in Treasury as miscellaneous receipts.

4.7.1. Accounting for Canceled Obligated and Unobligated Balances. Upon cancellation of an appropriation, the balance in account 465000, *Allotments – Expired Authority*, must be reclassified as canceled authority and recorded to account 435000, *Canceled Authority*. Expenditures from a current appropriation that are applicable to obligations incurred in a canceled appropriation will reduce the balance in account 435000.

4.7.2. Accounting for Collections Applicable to Closed Accounts. Any collections received after cancellation of an account must be deposited in Treasury as miscellaneous receipts.

4.7.3. Accounting for Expenditures Applicable To Canceled Appropriations. The status of direct program obligated and unobligated balances and reimbursable program obligated balances, even in an account which has been closed, must be continuously maintained. If payments (cash collections) are not received for obligations incurred in the reimbursable program, those obligations must be covered by direct program unobligated authority existing in the closed account.

4.7.3.1. To determine if sufficient direct program unobligated authority exists in the closed account, deduct all amounts charged to current appropriations that otherwise would have been chargeable to the closed account, both as to purpose and in amount, except that the account was canceled, from the unobligated balance at the time of the cancellation.

4.7.3.2. The total of payments from a current appropriation for obligations and payables of a canceled appropriation cannot exceed the lesser of (1) the unexpended balance of the canceled appropriation; (2) the unexpired unobligated balance of the currently available appropriation; or (3) one percent of the current appropriation being charged. Payables applicable to canceled appropriations must be paid from funds of subsequent appropriations that are available



for the same general purpose as the one from which the payables were canceled. Liabilities may not be recorded on the books of a subsequent appropriation until (1) valid bills are received for payment; and (2) it is certain the payment will be made from that subsequent appropriation. If such payments exceed the one percent limitation, additional authority must be sought from Congress (see Chapter 10). It is important to note that the liability of a current account to pay an obligation of a canceled account is recorded only in the proprietary accounts of the current account pursuant to the criteria described in this paragraph. The obligation of a current account to pay, however, including upward obligation adjustments, must be recorded in the budgetary accounts at the time it is first known against the obligational authority of the canceled account that would have been available except for its cancellation.

Table 15-1. Recording Refunds Received

| If you receive a refund of funds that were...   | And the appropriation against which the obligation was incurred... | You...   |
|---|--|--|
| (1) Obligated and outlayed in that year   | Remains available (usually the case)                               | Reduce the total amount of obligations and outlays recorded for the year in the budget schedules.  |
| (2) Obligated and outlayed in a previous year and credited to the same appropriation or fund account    | Remains available for new obligations                              | Record the refund as offsetting collections (cash) credited to unexpired accounts (i.e., as offsetting collections on lines 4030-4034 or 4120-4124) and as recoveries of prior year paid obligations, unexpired accounts on line 4053 or 4143; increasing unobligated balances. These offsetting collections are not reported as new budget authority; they are offset against gross outlays but not against gross budget authority.   |
| (3) Obligated and outlayed in a previous year and credited to a different appropriation or fund account | Remains available for new obligations                              | Record the refund as offsetting collections (cash) credited to unexpired accounts (i.e., as offsetting collections on lines 4030-4034 or 4120-4124); increasing spending authority from offsetting collections.  |
| (4) obligated and outlayed in a previous year   | Has expired but is not yet canceled                                | Record the refund as offsetting collections (cash) credited to expired accounts (i.e., as offsetting collections on lines 4030-4034 or 4120-4124; as offsetting collections credited to expired accounts on line 4052 or 4142 of the schedule P); and recoveries of prior year paid obligations on line 4054 or 4144 of the Standard Form 133). These offsetting collections are not reported as new budget authority; they are offset against gross outlays but not against gross budget authority. |
| (5) Obligated in a previous year  | Has been canceled  | Deposit the refund in miscellaneous receipts of the Treasury.  |