

VOLUME 5, CHAPTER 1: “PURPOSE, ORGANIZATION, AND DUTIES”

SUMMARY OF MAJOR CHANGES

All changes are in **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 in **bold, italic, blue, and underlined font**.

The previous version dated August 2010 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
010102	Added submission of recommendations for change and requests for exception or deviation.	Addition
010103.B.	Updated systems and forms in use on this volume’s original publication date, December 16, 1993.	Revision
010202	Changed organizational name from DFAS Disbursing and Debt Management Policy Division to DFAS Disbursing Policy and Treasury Initiatives Division	Revision
010203	Updated responsibilities for adherence to this volume, specifically as it relates to a commander’s responsibility to monitor disbursing operations. Incorporated former paragraph 010204 (renumbers former paragraph 010205 accordingly).	Revision
010303	Cancelled Director, Accounting and Finance Policy, OUSD(C) Memorandum, August 22, 2006, “Department of Defense (DoD) Accountable Officials – Local Nationals Abroad and Contractor or Contractor Support Personnel.” Expanded on definition and responsibilities of accountable officials to include disbursing officials, certifying officers, and departmental accountable officials to include appointments of foreign local nationals.	Cancellation
010305	Added internal management controls.	Addition
010305.C.	Added and expanded electronic and digital signature.	Addition
010306	Moved Foreign Assets Control Regulations from Chapter 23 and expanded it to address all payments to ineligible recipients.	Addition

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CHAPTER 1

PURPOSE, ORGANIZATION, AND DUTIES

0101 PURPOSE

010101. Authority

This Department of Defense (DoD) Financial Management Regulation (DoD FMR) volume is issued by authority of [DoD Instruction 7000.14](#), DoD Financial Management Policy and Procedures); and implements [Treasury Financial Manual \(TFM\) – Volume I](#); and establishes policies for disbursing throughout the DoD. It applies to the Office of the Secretary of Defense, Military Departments, Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, Combatant Commands, DoD Inspector General, Defense Agencies, and DoD Field Activities (collectively known as DoD Components). It establishes disbursing requirements, principles, standards, responsibilities, and pecuniary liability standards for disbursing officers (DOs), certifying officers, and other accountable officials throughout DoD. If new legislation conflicts with this volume, the highest level guidance governs.

*010102. Recommended Changes and Requests for Deviation or Exception

Send these through command channels to the [Deputy Chief Financial Officer \(DCFO\), Office of the Under Secretary of Defense \(Comptroller\) \(OUSD\(C\)\)](#), Room [3E769](#), The Pentagon, Washington, DC 20301-1100. [Each level of command includes an appropriate recommendation and may disapprove the action on its own initiative.](#)

010103. Use of This Volume

A. This volume cites specific Department of the Treasury (Treasury) accounts (e.g., **F3880) where the asterisks ** represent the appropriate DoD Component designator, i.e., 17 for Navy and Marine Corps, 21 for Army, 57 for Air Force, or 97 for Defense.

* B. This volume prescribes the use of specific forms (see the [DoD Forms Management Program](#) website. DoD Components using systems and producing their own forms in lieu of those prescribed that were in operation [at the time of this Volume's initial issuance \(December 16, 1993\)](#), may continue using these systems and forms until DoD implements a single standard disbursing system. A Component electing to use a computer-generated version of a prescribed DD Form must either use an exact replica of that form or submit a request for exception in accordance with [DoD 7750.07-M, DoD Forms Management Program Procedures Manual](#), to the address in paragraph 010102. The forms examples in this volume are for illustrative purposes only; and not intended for reproduction and use.

C. Refer to the Glossary for definitions of terms used herein.

0102 ORGANIZATION

010201. Defense Finance and Accounting Service (DFAS)

[DoD Directive \(DoDD\) 5118.5](#) established DFAS under the authority vested in the Secretary of Defense by Title 10, United States Code (U.S.C.), section 113 ([10 U.S.C. 113](#)). DFAS is under the direction, authority, and control of the USD(C). The Director, DFAS is the principal DoD executive for finance and accounting requirements, procedures, and functions, and performs the duties identified in the directive.

*010202. [DFAS Disbursing Policy and Treasury Initiatives Division](#)

The Director, DFAS, ATTN: DFAS-ZPFA/IN, 8899 East 56th Street, Indianapolis, IN 46249-0500 or DFAS.Indianapolis-IN.zpf.mbx.disbursingdebtmanagementpolicy@mail.mil is under the direction, authority, and control of the Director, Strategy, Policy and Requirements. This division is responsible to:

- A. Develop and promulgate standard DoD disbursing, cash management, and debt management guidance and procedures.
- B. Respond to all procedural inquiries pertaining to disbursing, cash management, and debt management within DoD.
- C. Initiate, change, and implement DoD disbursing, cash management, and debt management procedures and guidance according to Treasury regulations.
- D. Act as the point of contact for all non-criminal investigating officers in relation to loss of funds investigations.
- E. Perform technical reviews of relief-of-liability cases for DoD Components and activities, including the quarterly minor loss reports.
- F. Manage disbursing station symbol numbers (DSSN) within DoD, to include their establishment and deactivation, ordering U. S. Treasury checks, maintaining DO and deputy DO (DDO) appointments and signature specimens, and ordering and storing signature media.

*010203. DoD Disbursing Offices and Officers

DoD Component Heads, [through command channels](#), ensure that DOs in their commands follow this volume. [Commanders monitor disbursing operations, requiring DOs and DDOs under their purview to adhere to this volume. DOs, in turn, direct disbursing operations accordingly.](#)

010204. Certifying Officers and Departmental Accountable and Payment Review Officials

Commanders ensure that certifying officers and departmental accountable and payment review officials in their commands follow Chapter 5.

*0103 ACCOUNTABILITY AND RESPONSIBILITY

010301. General

Accountable individuals have personal and pecuniary liability for their acts involving the expenditure and receipt of public funds. See Chapter 6.

010302. Knowledge of Laws Governing Disbursements

Accountable individuals whose duties pertain to the disbursement of public funds must be knowledgeable of and adhere to applicable laws.

*010303. Accountable Officials

“Accountable individual,” “accountable official” and “accountable officer” are used synonymously throughout this volume. The term “accountable official” is used in [31 U.S.C. 3527](#) to refer to the class of officers or employees of an agency who are pecuniarily liable for repayment of losses or deficiencies of public money, vouchers, checks, securities, or records. Such officials are appointed using [DD Form 577](#) (Appointment/Termination Record - Authorized Signature). Only officers and employees of an agency are eligible for appointment as accountable officials.

A. [Disbursing Officials](#). These include DOs, deputy DOs, and subordinate disbursing agents, paying agents, cashiers, change fund custodians, collection agents, and imprest fund cashiers. Under [31 U.S.C. 3321\(c\)\(2\)](#), the Secretary of Defense is required to designate personnel of the agency as disbursing officials to disburse public money available for expenditure by the agency. See Chapter 2.

B. [Certifying Officers](#). Under [31 U.S.C. 3325\(a\)\(1\)](#), a disbursing official in the executive branch of the United States (U.S.) Government “shall disburse money only as provided by a voucher certified by the head of the executive agency concerned, or an officer or employee of the executive agency having written authorization from the head of the agency to certify vouchers.” Thus, a DoD agency cannot disburse a payment unless it is certified by a properly appointed certifying officer. These statutory “certifying officers” must be officers or employees of the Federal agency concerned, and are “accountable” because unless granted relief they are pecuniarily liable under [31 U.S.C. 3528\(a\)](#) for any payments they erroneously certified. Appointment as a certifying officer is a precondition to enforcement of pecuniary liability under section 3528(a).

C. [Departmental Accountable Officials \(DAO\)](#). In certifying payments, DoD’s statutory certifying officers often are required to rely on information and data provided by agency systems and by other personnel. Because of this, Congress authorized DoD to impose potential pecuniary liability to an additional class of agency officers and employees: those who are formally appointed as a DAO under [10 U.S.C. 2773a](#). Under section 2773a, the Secretary of Defense may

designate any DoD civilian employee or member of the U.S armed forces under the Secretary's jurisdiction as a DAO. In the performance of their duties, DAOs are responsible for providing certifying officials with information, data, or services that are directly relied upon by the certifying officer in the certification of vouchers for payment. Section 2773a does not, however, statutorily mandate that the DoD organizations appoint DAOs to perform such activities; instead, appointment of DAOs to perform any particular function or class of functions is an option available to management for inclusion in management's internal controls program. See paragraph 010305. When considering whether to require that only persons appointed as DAOs perform duties that generate the information, data, or services relied on by certifying officers, agency managers and appointing authorities take into account considerations that include mission requirements and functions under their responsibility, the availability of resources, the sufficiency of other internal controls, and whether or not a governing policy or directive mandates performance of some function only by a properly appointed DAO.

D. Foreign National Personnel. In deciding whether to appoint foreign local nationals in overseas areas as certifying officers and DAOs, organizations should take into account whether enforcement of pecuniary liability of such individuals to the U.S. is precluded as a legal or practical matter by status of forces agreements, other international agreements, or local laws. If enforcement is not precluded by such agreements or local laws, foreign national direct hire employees are eligible for appointment both as certifying officers and DAOs because the agency is the legal employer and such individuals qualify as officers or employees of the U.S. If not constrained by such agreements or by local law, the DoD has the ability to enforce pecuniary liability against these employees because it has statutory authority to withhold amounts from their pay accounts. Foreign national indirect hire employees cannot be appointed as certifying officers or DAOs because the U.S. cannot enforce pecuniary liability by unilaterally setting off indebtedness against their pay accounts and because the agency is not the legal employer. However, this regulation does not prohibit organizations from assigning indirect hire employees to duties that DAOs otherwise would perform, nor does it mandate that organizations appoint DAOs to provide the information or data, or to perform services relied upon by certifying officers to certify payment vouchers. Organizations operating in overseas areas may permit or assign foreign national indirect hire employees to perform such operational duties without appointing them as DAOs if adequate internal controls are in place to support voucher certification.

E. Contractors and contractor-support personnel may not be appointed as DAOs or Certifying officers.

010304. Accountable Officials and Inherently Governmental Functions

Public Law (P.L.) 105-270 (The Federal Activities Inventory Reform (FAIR) Act of 1998 (31 U.S.C. 501)) provides that, "the making of value judgments in making decisions for the Federal Government, including judgments relating to monetary transactions and entitlements" is an inherently-governmental function, i.e., "a function that is so intimately related to the public interest as to require performance by Federal Government employees." For further information regarding inherently governmental functions, see the Office of Management and Budget's (OMB) Office of Federal Procurement Policy Letter 11-01, Performance of Inherently Governmental and Critical Functions, which provides a single definition of an inherently

governmental function built around the well-established statutory definition in the FAIR Act, as well as establishing criteria for the identification of critical functions and for ensuring sufficient levels of internal agency oversight and management of functions closely associated with inherently governmental functions.

*010305. Internal Management Controls

Internal management controls are specific policies, procedures, and/or activities an organization establishes and implements to manage risk. They are the methods by which an organization governs its activities to accomplish its mission, and are required by OMB Circular A-123, Management's Responsibility for Internal Control, which implements 31 U.S.C. 3512(c)(1). Consistent with the guidelines in this paragraph, DOs implement these controls to eliminate opportunities to conceal errors or irregularities and assign work so that no one individual controls multiple phases of a transaction. Inspections and audits of disbursing offices must include a review of internal management controls to determine their adequacy, compliance, and effectiveness.

A. Standards of internal control. Management determines applicability of these standards at the operational level.

1. Control Environment. Management and employees establish and maintain an environment throughout the organization that sets a positive and supportive attitude toward internal control and conscientious management.

2. Risk Assessment. Provide for an assessment of the risks the organization faces from both external and internal sources.

3. Control Activities. Internal control activities ensure the implementation of management's directives, and should be effective and efficient in achieving an organization's control objectives.

4. Information and Communications. Record and communicate information to management and others within an organization who need it, in a specific form and inside a time frame that enables them to carry out their internal control and other responsibilities.

5. Monitoring. Assess the quality of performance over time and ensure the findings of audits and other reviews are promptly resolved.

B. Separation of duties. Separation of duties precludes errors or attempts at fraud or embezzlement from going undetected. Internal controls generally require a four-way separation of the contracting, receiving, voucher certification, and disbursing functions. Assign key duties such as certification of fund availability; contracting (obligating the government); authorizing, approving, and recording transactions; issuing or receiving assets; certifying and making payments; preparing and signing checks; and reviewing or auditing payments to different individuals to minimize the risk of loss to the government to the greatest extent possible.

1. Do not assign DOs duties that create potential conflicts of interest (see Chapter 2).

2. Separation of duties is not always practical or possible due to time constraints, manpower shortages, or the use of [electronic](#) systems. For example, payments and collections through the Intra-governmental Payment and Collection (IPAC) system can occur outside the disbursing work center without weakening internal controls because the payee is always another Federal agency and recovery of an improper payment is assured, [or financial systems which allow for adjustments to the data outside of the normal application include appropriate controls and audit trails for those adjustments](#). Other situations may require closer scrutiny. Commanders and DOs must be aware of situations where valid, long-standing separation of duties cannot be achieved, recognize that internal controls have been weakened as a result, and make every effort to mitigate the risks. Report situations of inability to separate appropriate responsibilities to the appropriate DFAS or Service commander, with a request for a waiver and recommendations to mitigate the risks.

* C. Electronic and digital signatures

1. General. Personnel may use electronic and digital signatures to receive, accept, and certify [financial documents processed through automated information systems](#).

2. Requirements. [15 U.S.C. 7001](#) and [7021](#) require that either of these media used by a person to sign (e.g., certify) any type of financial document be:

- a. Unique to that person;
- b. Under that person's sole control or custody;
- c. Linked to the [data signed throughout their processing](#) so that if [any of the data are](#) changed, the electronic or digital signature is invalidated; and
- d. Capable of being verified by [the paying DO](#).

3. Digital Signature. A digital signature is an electronic signature (see [DoD Instruction 8520.02](#), Public Key Infrastructure (PKI) and Public Key (PK) Enabling). Digital signature technology encrypts data; detects changes to digitally-signed documents; and enables "authentication" of digital messages, assuring the recipient of a digital message of both the identity of the sender and the integrity of the message.

a. Digital signatures and certificates authenticate identity, control access through authorized user levels and Public Key Infrastructure (PKI) certificates or passwords, and provide an encryption capability for information in transit or at rest.

b. Secure digital signatures cannot be repudiated. Except in a case of a compromise of system security resulting in a forged electronic signature, the signer of a document cannot later disavow the validity of the signature, claiming it was forged. The recipient of a digitally signed message has the capability to verify both the document's author and that the document was not altered either intentionally or accidentally after signature.

010306. Prohibited Payments

Personnel involved in the payment certification and disbursement processes must preclude payments to ineligible recipients. Many tools to aid in this effort are available, among them the *Specially Designated Nationals (SDN) List* maintained by Treasury's Office of Foreign Assets Control. This is a list of individuals and entities covered by Executive Order 13224 (Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism). Do not initiate, certify, or make payments or draw checks or warrants payable to individuals or organizations on this list. See also *ITFM 4A-2025*.

0104 PUNITIVE PROVISIONS

010401. Misuse of Public Funds

18 U.S.C. 641 governs crimes of embezzlement and theft. Individuals charged with safekeeping of public funds must handle those funds with utmost care. The loan, exchange for other funds, conversion of funds for one's own use or that of another, or deposit of public funds except as authorized by law, may subject the individual entrusted with the funds to criminal sanctions.

010402. Conspiracy to Defraud the Government

Any person entering into an agreement or conspiracy to defraud the U.S. by obtaining or aiding in obtaining the payment or allowance of any false, fictitious, or fraudulent claim is subject to fine, imprisonment, or both as prescribed by *18 U.S.C. 286*.