

**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 [November 2017](#) is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
All	Updated hyperlinks and formatting to comply with current administrative instructions.	Revision

Table of Contents

0101 GENERAL..... 3

    010101. Purpose..... 3

    010102. Authoritative Guidance ..... 3

    010103. Recommended Changes and Requests for Deviation or Exception..... 3

    010104. Use of Volume 5 ..... 3

0102 ORGANIZATION ..... 4

    010201. DFAS..... 4

    010202. Disbursing Policy ..... 4

    010203. DoD Disbursing Offices and Officers..... 4

    010204. Certifying Officers, Departmental Accountable Officials (DAOs), and Payment Review Officials ..... 5

0103 ACCOUNTABILITY AND RESPONSIBILITY ..... 5

    010301. General ..... 5

    010302. Knowledge of Laws Governing Disbursements..... 5

    010303. Accountable Officials..... 5

    010304. Accountable Officials and Inherently Governmental Functions..... 7

    010305. Internal Management Controls..... 7

    010306. Prohibited Payments..... 9

0104 PUNITIVE PROVISIONS ..... 9

    010401. Misuse of Public Funds ..... 9

    010402. Conspiracy to Defraud the Government..... 10

## CHAPTER 1

**PURPOSE, ORGANIZATION, AND DUTIES**

## 0101 GENERAL

## 010101. Purpose

The Department of Defense (DoD) Financial Management Regulation Volume 5 establishes disbursing requirements, principles, standards, responsibilities, and pecuniary liability standards for disbursing officers (DOs), certifying officers, and other accountable officials throughout the DoD. If new legislation conflicts with Volume 5, the highest level guidance governs.

## 010102. Authoritative Guidance

Volume 5 is issued by authority of DoD Instruction ([DoDI 7000.14](#)), DoD Financial Management Policy and Procedures; implements the Treasury Financial Manual (TFM) [Volume I](#); and establishes policies for disbursing throughout the DoD. It applies to the Secretary of Defense (SecDef), 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).

## 010103. Recommended Changes and Requests for Deviation or Exception

Recommended changes and exceptions to policy must be sent through appropriate channels to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Office of the Deputy Chief Financial Officer (see the “Introduction” to the DoD Financial Management Regulation). Coordinate requests for deviations from or exceptions to Volume 5 with Finance Policy, Strategy, Policy and Requirements Directorate, Defense Finance and Accounting Service (DFAS) Indianapolis (DFAS-ZPF/IN), 8899 East 56<sup>th</sup> Street, Indianapolis, IN 46249-0050 (dfas-in.disbursingpolicy@mail.mil).

## 010104. Use of Volume 5

A. Volume 5 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. Volume 5 prescribes the use of specific forms (see the DoD (DD) [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 5’s initial issuance (December 16, 1993) may continue using these systems and forms until DoD implements a single standard disbursing system. A DoD Component electing to use a computer-generated version of a prescribed DD Form must 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 010103. The forms examples in Volume 5 are for illustrative purposes only and are not intended for reproduction and use.

- C. Refer to the Definitions Chapter for terms used herein.

## 0102 ORGANIZATION

### 010201. DFAS

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

### 010202. Disbursing Policy

DFAS-ZPFA/IN is under the direction, authority, and control of the Director, Strategy, Policy and Requirements. This division:

- A. [Develops](#) and [promulgates](#) standard DoD disbursing policy and cash management guidance;
- B. [Responds](#) to all inquiries pertaining to disbursing policy and cash management within DoD;
- C. [Initiates](#), [changes](#), and [implements](#) DoD disbursing policy and cash management guidance according to Treasury regulations;
- D. [Acts](#) as the point of contact for all non-criminal investigating officers in relation to loss of funds investigations; and
- E. [Performs](#) technical reviews of relief-of-liability cases for DoD Components and activities, including the quarterly minor loss reports.

### 010203. DoD Disbursing Offices and Officers

DoD Component Heads, through command channels, ensure that DOs in their commands follow Volume 5. Commanders monitor disbursing operations, requiring DOs and Deputy DOs (DDOs) under their purview to adhere to Volume 5. DOs, in turn, direct disbursing operations accordingly ([see Chapter 2, paragraph 020201](#)).

010204. Certifying Officers, Departmental Accountable Officials (DAOs), and Payment Review Officials

Commanders ensure that certifying officers, DAOs, and payment review officials in their commands follow Chapter 5, section 0503.

### 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 5, section 0507 and Chapter 6, [section 0603](#)).

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 Volume 5. 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 a [DD Form 577](#), Appointment/Termination Record - Authorized Signature. Only officers and employees of an agency are eligible for appointment as accountable officials (see Chapter 2, section 0203).

A. Disbursing Officials. These include DOs, DDOs, 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 SecDef is required to designate personnel of the agency as disbursing officials to disburse public money available for expenditure by the agency (see Chapter 2, paragraph 020101).

B. Certifying Officers. Under [31 U.S.C. § 3325\(a\)\(1\)](#), “a disbursing official in the executive branch of the United States 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) (see Chapter 5, paragraph 050401).

C. DAOs

1. 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 SecDef 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).

2. When considering whether to require that only persons appointed as DAOs perform duties that generate the information, data, or services relied upon 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 (see [Chapter 5, paragraph 050305](#)).

D. Foreign National Personnel. A foreign national employee is an individual who is employed by or performing work for U.S. forces outside the United States, its territories, and possessions in a system of employment. Under the direct hire arrangement, the legal employer of the foreign national assumes responsibility for all administrative and management functions related to foreign national employment. Under the indirect hire arrangement, the host government serves as the legal employer of U.S. forces' foreign nationals. Although the host government is the official legal employer of the foreign national personnel, it grants operational control to U.S. forces for the day-to-day management of such personnel (see DoDI 1400.25-[VI231](#)).

1. 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 United States 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 United States. 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.

2. Foreign national indirect hire employees cannot be appointed as certifying officers or DAOs because the United States 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. Do not appoint contractors and contractor support personnel as DAOs or certifying officers.

010304. Accountable Officials and Inherently Governmental Functions

The Federal Activities Inventory Reform (FAIR) Act of 1998 ([Public Law 105-270](#)), as implemented by the Office of Management and Budget (OMB) ([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 OMB's 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 establishes criteria for identifying 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 that needs 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, paragraph 020305).

2. Separation of duties is not always practical or possible due to time constraints, manpower shortages, or the use of electronic systems. 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. For example, payments and collections through the Intra-governmental Payment and Collection 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. Report all situations of inability to separate appropriate responsibilities to the DO's 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. Title 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 [DoDI 8520.02](#), Public Key Infrastructure (PKI) and Public Key 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 PKI certificates or passwords, and provide an encryption capability for information in transit or at rest.

b. Secure digital signatures cannot be rejected. Except in a case of a compromise of system security resulting in a forged electronic signature, the signer of a document cannot later deny 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 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

Title 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 United States 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](#).