

CHAPTER 7

FOREIGN CURRENCY REPORTS0701 GENERAL

070101. Purpose. This chapter establishes reporting requirements for tracking all transactions that increase or decrease the foreign currency fluctuations accounts. It provides guidance to Department of Defense (DoD) Components on the recording of obligations for expenses payable in certain foreign currencies.

070102. Overview

A. The provisions of this chapter apply to all DoD Components unless a specific exception has been granted in writing by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)).

B. The reports discussed in this chapter are as follows:

1. Foreign Currency Fluctuations, Defense.
2. Foreign Currency Fluctuations, Construction, Defense.

070103. Foreign Currency Fluctuations, Operation and Maintenance (O&M)/
Military Personnel (MilPers)

A. In fiscal year (FY) 1979, the Congress authorized an appropriation to facilitate the transfer of funds to (and from) DoD operating appropriations to cover significant losses from foreign exchange rate fluctuations. Significant net gains from foreign currency exchange rate fluctuations also shall be transferred to this account. The title of the appropriation is "Foreign Currency Fluctuations, Defense (FCF,D)," symbol 97X0801. The purpose of the appropriation is to alleviate the adverse effect of significant fluctuations in the specified currency exchange rates on authorized DoD programs funded by O&M appropriations, and more recently, by MilPers appropriations.

★ B. The OUSD(C) manages the FCF,D appropriation. Amounts are transferred by OUSD(C) to the operating appropriations by means of a Nonexpenditure Transfer Authorization (SF 1151). These transferred funds are available only for funding a centrally managed allotment (CMA) established in each Component's operating appropriation to cover net losses in direct programs due to unfavorable fluctuations in foreign exchange rates in the selected currencies. These transfers shall be based on need, funds available to cover such losses DoD-wide, and other budgetary considerations. Consequently, such losses may not be fully funded.

C. Since the FCF,D appropriation is available only to fund net losses, gains and losses shall be accumulated in the CMA for each affected operating appropriation. If a net gain results, the balance shall be returned to FCF,D prior to a lapse of funds. Prompt action shall be taken to provide funding based on justified requests received by the OUSD(C).

★ D. The following statutes provide authority for the FCF,D appropriation:

1. The “DoD Appropriation Act, 1979,” established the FCF,D appropriation.

2. Title 10, United States Code, section 2779(a) allows previously transferred FCF,D funds to be transferred back to the FCF,D appropriation from the appropriation to which they were transferred. This is allowed only if the funds are not needed to finance increased obligations due to fluctuations in currency exchange rates because of subsequent favorable fluctuations in currency exchange rates or because other funds are, or become, available to finance these cost increases.

3. Title 10, United States Code, section 2779(d) permits O&M and MilPers unobligated balances to be transferred to the FCF,D appropriation, so long as the transfers are made not later than the end of the second fiscal year following the fiscal year for which the appropriation is provided. This provision limits the use of this authority so that the amount in the FCF,D appropriation does not exceed \$970.0 million at the time the unobligated balance transfer is made.

4. Public Law 98-212, “DoD Appropriations Act, 1984,” section 774 requires that, for purposes of the FCF,D appropriation, the foreign currency exchange rates used in preparing the budget submissions shall be the foreign currency exchange rates as adjusted or modified by the congressional committee reports.

070104. Foreign Currency Fluctuations, Military Construction, Family Housing and North Atlantic Treaty Organization (NATO) Infrastructure

A. In FY 1987, the Congress enacted the current authority for a foreign currency fluctuations account to protect DoD Military Construction, Family Housing and NATO infrastructure programs from substantial gains or losses resulting from foreign currency fluctuations. The title of this appropriation is the “Foreign Currency Fluctuations, Construction, Defense (FCF,C,D),” symbol 97X0803.

★ B. The OUSD(C) centrally administers the FCF,C,D appropriation. Initial capitalization for the account was accomplished by transferring unobligated balances from the family housing and military construction appropriations to the FCF,C,D account. Unobligated balances may be transferred up to 2 fiscal years after they have expired for original obligation purposes.

C. All amounts transferred from this appropriation to other appropriations available for construction shall be approved specifically by the USD(C). Upon determination of amounts to be transferred from the FCF,C,D accounts, the OUSD(C) shall request the Defense Finance and Accounting Service (DFAS) Center for Sustaining Forces-Indianapolis (DFAS-IN/RBBC) to initiate action for transfer of funds to applicable appropriations by means of the SF 1151.

070105. Definitions

A. Foreign Currency Unliquidated or Liquidated Obligations. These are obligations payable either in a specified foreign currency or in U.S. dollars, the amount of which is determined by the budget rate in effect at the time of the transaction.

B. Accrued Variance. This is the difference between unliquidated obligations at the budget foreign currency rate and unliquidated obligations at the current foreign currency exchange rate.

C. Realized Variance. This is the difference between liquidated obligations at the budget rate and liquidated obligations at the foreign currency exchange rate at the time of payment. The variance is equal to the amount disbursed from the applicable centrally managed allotments.

070106. Standards

A. The foreign currency appropriations (FCF,D and FCF,C,D) are used solely to offset losses sustained because of unfavorable foreign currency fluctuations. The appropriations are not available to finance cost increases resulting from changes in the scope of programs, inflation increases, or other such changes. Other important provisions of the foreign currency fluctuations appropriations relate to obligation/expenditure limitations and financial accounting procedures, relative to foreign currency exchange fluctuations.

1. Authorizations or limitations now or hereafter contained within appropriations or other provisions of law limiting the amounts that may be obligated or expended shall be increased to the extent necessary to reflect fluctuations in foreign currency exchange rates from those used in preparing the applicable budget submission.

2. Contracts or other obligations entered into that are payable in foreign currencies may be recorded as obligations based on currency exchange rates used in preparing budget submissions, as amended by the Congress, and adjustments to reflect fluctuations in such rates shall be recorded as disbursements are made.

B. Funds transferred from the foreign currency fluctuations appropriations shall be available only for funding CMAs that are to be established in the applicable operation and maintenance, construction, family housing, or NATO infrastructure appropriations to cover losses (or gains) in direct programs due to fluctuations in foreign exchange rates.

C. The DoD Components shall record foreign currency obligations at the installation level in dollars, at the budgeted rate or at the congressionally established budget exchange rate for direct program of affected appropriations as reflected in applicable committee reports or the appropriate appropriation acts.

1. The OUSD(C) shall provide these rates to the DoD Components.

2. Foreign currency obligations are those obligations that either are payable in specified foreign currency or payable in dollars, the amount of which is determined by the rate of exchange.

3. When payment is made, the disbursing officer shall charge the variance between the budget rate and the current rate directly to the applicable CMA for that period.

★ 4. For example, assume that a project funded with military construction resources was budgeted in the FY 1996 President's Budget, funds for the project were obligated in FY 1997, and all of the project expenditures were disbursed in FY 1998. The obligation shall be recorded using the FY 1996 budgeted rates. There would be no effect on the military construction foreign currency CMA prior to FY 1998 since no disbursements were made until FY 1998. The foreign currency reports in each of those years, however, would identify accrued variances, i.e., the difference between the project at the FY 1996 budgeted rate and the current exchange rate. This accrued variance is used to identify the projected disbursement requirements of the Component CMA. The realized foreign currency variance would be recorded against the military construction foreign currency CMA for FY 1998, the time that the actual disbursement was made. Other obligation adjustments, such as a change in scope of the contract, will necessitate an adjustment, at the budget rate, in the obligation on the installation's books prior to any adjustment for the currency rate variance.

D. The central accounting activity supporting each affected Component shall determine the total foreign currency unliquidated obligations at the budget exchange rate for each appropriation. The exchange rate will be provided by the OUSD(C). Appropriate favorable variances shall be identified and accumulated as well as unfavorable variances. An "accrued variance" shall be determined at the end of each month based on the difference between unliquidated obligations at the budget rate and unliquidated obligations at the current rate, using the exchange rate on the last day of the month. The accrued variance never shall be obligated in the official accounting documents.

E. The DoD Component holding the CMA is responsible for establishing controls and carefully monitoring funds availability at all times. Antideficiency Act provisions apply to each CMA. Controls established shall ensure that sufficient funds within the appropriation's availability are reserved for the CMA to finance projected disbursement requirements. For family housing and construction, this is recommended to be a 6-month requirement. Should CMA funding availability drop below that level, immediate action shall be taken to avoid overobligation. Such action shall include providing additional funds from current

accounts and, if necessary, advising all disbursing officers to cease payments from the CMA without prior certification until funding is obtained. In no case shall any action be taken that presumes relief through a transfer of funds from the foreign currency fluctuations appropriations, owing to the limited capitalization available in these accounts.

★ F. The OUSD(C) publishes lists of specific currencies in the foreign currency fluctuations program and associated exchange rates. Additional currencies may be added and some deleted by the OUSD(C) as conditions warrant. A report containing the list of currencies, the applicable budget rate, and the current period adjusting rate can be found on the Internet at <http://www.dtic.mil/comptroller/fcfr/>.

070107. General Reporting Guidance

A. Other than including the variance between the budget rate and current foreign currency exchange rate in the month-end accrual at the Component headquarters, as described in subparagraph 070106.D, above, no further adjustment is necessary until disbursement is made or until the appropriation is closed.

B. Only direct programs are affected by this procedure. The performing activity shall continue to accept reimbursable orders, incur obligations and bill for reimbursement at the current foreign currency exchange rate using the procedures prescribed in Volume 3, Chapters 9 and 16, and Volume 11A, Chapter 1 of this Regulation. When the performing activity and the benefiting activity are DoD organizations, however, the performing activity shall notify the benefiting activity of the amounts obligated that are to be paid in foreign currency. The benefiting activity shall record that portion of its obligation for direct programs at the budget rate in the manner prescribed in subparagraph 070106.C, above. The variance for the unliquidated obligation and disbursement shall be recorded in the CMA at the headquarters level of the benefiting activity.

C. Normal operating budgets or other funding documents issued for the affected appropriations by DoD Components shall not be adjusted for foreign currency exchange rate fluctuations.

D. Prior to the close of the books at year-end, each Component holding a CMA shall review the status of that account. Net gains in a CMA promptly shall be transferred back to the applicable foreign currency fluctuations appropriation. Components also shall determine the portion of the losses that can be absorbed by the CMA and transfer back to the foreign currency fluctuations appropriation account any balances that are not required.

0702 REPORTING PROCEDURES

070201. Transfers Made To and From the Foreign Currency Fluctuations, Defense Appropriation Report

The DFAS is responsible for preparing and transmitting to the House and Senate Appropriations Committees the annual report on all transfers made to or from the Foreign Currency Fluctuations, Defense Appropriation.

070202. Foreign Currency Fluctuations, Defense Report (O&M)

A. The DFAS is responsible for submitting the subject consolidated monthly report to the Office of the Deputy Comptroller (Program/Budget) (ODC(P/B)), OUSD(C).

B. Each DoD Component participating in the program shall submit a monthly report to the DFAS using the format in Figure 7-1.

1. The report is due no later than 22 work days after the end of each month.

2. The report shall include the following:

a. Column 1 - Country. Alphabetically list the specified country.

b. Column 2 - Monetary Unit. Enter the monetary unit of the country.

c. Column 3 - Foreign Currency Unliquidated Obligations. Enter the dollar amount of unliquidated obligations at the budget rate. This is derived by taking the obligations incurred at the budget rate less the disbursements at the budget rate.

d. Column 4 - Accrued Variance. Enter the accrued variance for the unliquidated obligations in column 3. NOTE: This amount may change from month to month as the current foreign currency exchange rate changes and/or as the amount of unliquidated obligations changes.

e. Column 5 - Realized Variance. Enter the actual dollar amount of the variance resulting from liquidated obligations to date. This amount represents the variance (difference) between obligations at the budget rate and the amount actually disbursed.

f. Column 6 - Foreign Currency Obligations Incurred. Enter the dollar amount of total obligations incurred to date at the budget rate. This will be based on actual accounting data of obligations incurred at the budget rate. It will not be a derived number.

g. Column 7 - Planned Overseas Program. The planned overseas program for execution at the budget rate should agree with the current year (CY) column of the PB-18 exhibit. That exhibit is required by Volume 2B, Chapter 19, of this Regulation, to

support the President's budget request for the budget year. Any increases or decreases to the planned overseas program during the execution of the CY shall be explained by country in the monthly report.

3. The report also shall include footnotes showing:

a. The total funding provided to the centrally managed allotment by source.

(1) Transfers from the FCF,D appropriation

(2) Transfers from the Component's O&M availability

(3) Total CMA funding.

b. The anticipated gains or losses for the remainder of the fiscal year. The anticipated gains or losses on projected disbursements to the end of the year shall be estimated by computing the variance that would occur if the current foreign currency exchange rates were to remain in effect during the remainder of the year.

c. Transfers to FCF,D due to favorable realized variances.

d. Projected liquidations (budget rate) for the fiscal year. Estimate the obligations (budget rate) that will be disbursed during the fiscal year.

e. Explanation of deviations from planned overseas program by country is required when significant variances from the "obligations incurred" column exist. This explanation can occur any time prior to the canceling of funds.

4. Based on the reports received, the DFAS shall submit a monthly consolidated report to the ODC(P/B), ATTN: Directorate for Operations and Personnel.

★ 070203 Foreign Currency Fluctuations, Defense Report (MilPers)

A. Foreign currency rate variances increase or decrease the value of allowances paid to service members. To maintain the value of that portion of allowances members receive to purchase foreign currency, allowances are adjusted to offset increases or decreases in foreign currency rates. For purposes of FCF,D transfers, the calculated effect on military personnel disbursements that result from changes in foreign currency rates (foreign currency variance) is the difference in dollars required for the allowance at budget exchange rates and the current allowance rates. However, FCF,D transfers are approved only for Cost of Living Allowances (COLA) and Overseas Housing Allowances (OHA).

B. The DFAS is responsible for submitting this consolidated monthly report to the ODC(P/B), OUSD(C).

C. The process for identifying the foreign currency impact on COLA and OHA is as follows:

1. Total expenditures shall be identified by the Military Departments for COLA and OHA by officer and enlisted for the country currencies included in the FCF,D account.

2. The Per Diem, Travel and Transportation Allowance Committee (PDTATAC) shall report, to the DFAS Centers, the appropriate COLA and OHA index based on current exchange rates. For FCF,D the PDTATAC also shall report COLA and OHA indices based on the budget exchange rates.

3. The DFAS Centers shall access affected personnel pay accounts and identify the COLA and OHA disbursements--by officer and enlisted--according to designated location codes.

4. The DFAS Centers shall calculate the foreign currency impact by estimating the differences between budget exchange rates and current exchange rates applied to the total expenditures for COLA and OHA.

5. Foreign currency amounts shall be consolidated and the remaining expenditures identified for the end of month recorded disbursements.

D. COLA foreign currency report format structure:

1. Service
2. Country (FCF,D country)
3. Budget rate
4. COLA rate
5. COLA code
6. COLA code change indicator
7. Budget index
8. Allowance index
9. COLA factor
10. Actual COLA Enlisted Disbursement

Appropriation	11.	COLA Realized Variance Enlisted				
	12.	Actual COLA Officer Disbursement				
	13.	Budgeted COLA Officer Amount	Military	Personnel		
	14.	COLA Realized Variance Officer				
	15.	COLA Realized Variance Total.				

E. OHA foreign currency report format structure:

1. Service
2. Country (FCF,D country)
3. Budget rate
4. OHA rate
5. OHA Factor
6. Actual OHA Enlisted Disbursement
7. Budgeted OHA Enlisted Amount Military Personnel Appropriation
8. OHA Realized Variance Enlisted
9. Actual OHA Officer Disbursement
10. Budgeted OHA Officer Amount Military Personnel Appropriation
11. OHA Realized Variance Officer
12. OHA Realized Variance Total.

F. The following information is reported by the PDTATAC and is used to prepare the monthly COLA and OHA foreign currency execution report.

1. Column A - Country. Lists the budget countries subject to FCF,D procedures.
2. Column B - Budget Rate. Fiscal year budget exchange rates as set by OUSD(C).

3. Column C - COLA Rate. Current market exchange rate upon which both COLA and OHA are set (allowance rate).

4. Column D - COLA Code. For countries with multiple COLAs, many locations are linked and receive the same index. This code identifies which locations are linked for COLA purposes.

5. Column E - COLA Code Change Identifier. Identifies whether a change has been made this period to above COLA linkage.

6. Column F - Budget Index. COLA index based on budget rate.

7. Column G - Allowance Index. COLA index based on allowance rate.

8. Column H - COLA Factor. Multiplication factor for cola disbursements based on budget and allowance indices.

9. Column I - OHA Factor. Budget rate minus the OHA rate divided by OHA rate.

070204. Foreign Currency Fluctuations, Construction, Defense Appropriation Report

The DFAS is responsible for preparing and transmitting to the House and Senate Appropriations Committees the semi-annual report on the Foreign Currency Fluctuations, Construction, Defense Appropriation.

070205. Foreign Currency Fluctuations, Construction, Defense Report

A. The DFAS is responsible for submitting this consolidated monthly report to ODC(P/B), OUSD(C).

B. The DoD Components shall prepare monthly reports on FCF,C,D appropriation obligations using the format in Figure 7-2.

1. The report is due no later than 22 work days after the end of each month.

2. The report shall include the following:

a. Column 1 - Country. Alphabetically list the specified country.

b. Column 2 - Monetary Unit. Enter the monetary unit of the country.

c. Column 3 - Foreign Currency Unliquidated Obligations. Enter the dollar amount of unliquidated obligations at the budget rate. Report unliquidated obligations by fiscal year.

d. Column 4 - Accrued Variance. Enter the accrued variance for the unliquidated obligations in column 3. NOTE: This amount may change from month to month as the current foreign currency exchange rate changes. Report accrued variances by fiscal year.

e. Column 5 - Foreign Currency Liquidated Obligations. Enter the dollar amount of total obligations liquidated for the report month at the budget rate.

f. Column 6 - Realized Variance. Enter the actual dollar amount of the variance resulting from liquidated obligations for the month. This amount represents the variance (difference) between obligations at the budget rate and the amount actually disbursed. All realized variances will be charged against the current year CMAs for construction, military family housing operation and maintenance and military family housing construction.

g. Column 7 - CMA Projected 6-Month Disbursements. Enter the projected 6-month disbursements from the CMAs based on historical outlay data, contract requirements, and payment schedules.

3. The report also shall include footnotes showing:

a. The anticipated gains or losses for the rest of the fiscal year (estimate this by computing the variance that would occur if the present currency exchange rates were to remain unchanged during the remainder of the fiscal year).

b. The total funding transferred to the CMAs from the FCF,C,D appropriation.

4. Based on the reports received, the DFAS shall prepare a monthly consolidated report for ODC(P/B), ATTN: Directorate for Military Construction. The fiscal year reports submitted by DoD Components shall be used by DFAS as the basis for preparing and submitting the required biannual and annual reports to the Congress.

0703 CENTER/SERVICE AND INTERMEDIATE/INSTALLATION LEVEL REPORT REQUIREMENTS

Reporting requirements for foreign currency reports at the Center/Component and Intermediate/Installation levels are addressed in the following paragraphs. Report formats for the respective reports are identified in the appropriate figures as indicated.

★ 070301. Foreign Currency Projected Disbursements - Military Construction Report

A. Purpose. This document reports information related to foreign currency fluctuations transactions for the Military Construction (MILCON) appropriations.

B. Applicability and Scope. The provisions of this report apply to all DoD Components engaged in foreign currency transactions related to all MILCON appropriations and shall include the projected 6-month disbursements from the CMA based on historical outlay data, contract requirements, and payment schedules.

C. Report Format. The report format for the Foreign Currency Projected Disbursements - Military Construction Report is identified in the appendices to this chapter, which are organized consistent with the supporting DFAS Center.

D. Frequency and Distribution. This report is required monthly and shall be submitted in accordance with the guidelines provided in the respective appendices to this chapter.

★ 070302. Foreign Currency Fluctuations (FCF) Report

A. Purpose. This document reports information related to the financial administration of gains and losses due to foreign exchange rate fluctuations.

B. Applicability and Scope. Each DoD Component with allotted funds incurring designated foreign currency fluctuations obligations is required to prepare the FCF Report and adhere to the definitions and standards outlined in paragraphs 070105 and 070106 of this chapter.

C. Report Format. The report formats for the FCF Report are designated in the appendices to this chapter.

D. Frequency and Distribution. The FCF Report shall be submitted each month. Guidance on distribution and specific due dates is outlined in the respective appendices to this chapter.

<p align="center"><u>FOREIGN CURRENCY FLUCTUATIONS, DEFENSE REPORT</u> <u>FOR (Component and Appropriation)</u> <u>AS OF: (date) (YYMMDD)</u> <u>DD-COMP(M)1506</u></p>						
Country (List Alphabetically)	Monetary Unit	Foreign Currency Unliquidated Obligations (Budget Rate)	Accrued Variance	Realized Variance	Obligations Incurred (Budget Rate)	Planned Overseas Program (Budget Rate)
<p><u>FOOTNOTES:</u></p> <p>(1) CMA Funding</p> <p style="padding-left: 40px;">Transfers from FCF,D</p> <p style="padding-left: 40px;">Transfers from O&M</p> <p style="padding-left: 40px;">Total CMA Funding</p> <p>(2) Anticipated Gains/Losses</p> <p>(3) Transfers to FCF,D (Favorable Fluctuations)</p> <p>(4) Projected Liquidations (Budget Rate)</p> <p>(5) Explanation of Deviation From Plan</p> <p align="center">Figure 7-1</p>						

<p align="center"><u>FOREIGN CURRENCY FLUCTUATIONS, CONSTRUCTION, DEFENSE REPORT</u> <u>FOR (Component and Appropriation)</u> <u>AS OF: (date) (YYMMDD)</u> <u>DD-COMP(M)1761</u></p>						
Country (List Alphabetically)	Monetary Unit	Foreign Currency Unliquidated Obligations (Budget Rate)	Accrued Variance	Foreign Currency Liquidated Obligations (Budget Rate)	Realized Variance	CMA Projected 6-Month Disbursements
<p><u>FOOTNOTES:</u></p> <p>(1) Anticipated Gains/Losses remainder of year</p> <p>(2) Total funding provided from FCF,C,D</p>						

Figure 7-2