

VOLUME 11A, CHAPTER 1: “GENERAL REIMBURSEMENT POLICY”**SUMMARY OF MAJOR CHANGES**

All changes are 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 [November 2014](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
010101	Added an Overview paragraph.	Addition
010102	Changed this to new Purpose paragraph.	Revision
010103	Added an Authoritative Guidance paragraph.	Addition
010201	Added a General Guidance paragraph on requirements from Office of Management and Budget (OMB) Circular A-11, U.S. Department of the Treasury (Treasury) Financial Manual, and for Non-Economy Act orders.	Addition
010204.A, 010204.B and 010204.E	Added policy from DoD Instruction (DoDI) 4000.19, and OMB Circular A-11; and added reference to rates published by the Office of the Under Secretary of Defense (Comptroller), Deputy Comptroller, Program/Budget.	Addition
010204.F and 010204.H	Added exceptions provided by Title 10, United States Code, section 2571 and, for services provided by U.S. Army Corps of Engineers and Nonappropriated Fund Instrumentalities.	Addition
010204.I	Added Treasury’s Bureau of the Fiscal Service online interest calculator.	Addition
010204.K	Clarified asset use charge calculations for depreciation and interest expense.	Revision
010205	Added guidance for Treasury’s Fiscal Service Forms 7600A/B and, Standard Forms 1080 and 1081; and removed the Universal Order Format since this is no longer supported for use by DoD Components.	Addition/ Deletion
Addendums, 1, 2 and 3	Removed since the pertinent information is captured in the chapter contents.	Deletion
Note	This chapter aligns with the guidance in the DoDI 4000.19 and will be updated to reflect the revised policy when the DoDI 4000.19 is reissued later in 2020.	Notification

Table of Contents

VOLUME 11A, CHAPTER 1: “GENERAL REIMBURSEMENT POLICY” 1

0101 GENERAL 3

 *010101. Overview 3

 *010102. Purpose 3

 *010103. Authoritative Guidance 3

0102 REIMBURSEMENT GUIDANCE..... 5

 *010201. General Guidance 5

 010202. Disposition of Collections 6

 010203. Billing Standard..... 6

 *010204. Determining Amounts to be Reimbursed..... 6

 *010205. Documentation Standards 13

Table 1-1 STRAIGHT-LINE METHOD OF DEPRECIATION 16

Table 1-2 INTEREST ON INVESTMENT CALCULATION 16

CHAPTER 1

GENERAL REIMBURSEMENT POLICY

0101 GENERAL

*010101. Overview

DoD reimbursable authority is authorized by the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), through budget formulation and statutory authorization of the budget in accordance with Title 10, United States Code, section 2205 ([10 U.S.C. § 2205](#)).

*010102. Purpose

This chapter supplements the standards for financial accounting for receivables, in Volume 4, Chapter 3, and for budgetary accounting for reimbursements, in Volume 3, Chapters 8 and 15. It provides guidance on the amounts that **must** be recouped when DoD Components perform work or sell property within the Department, to other **Federal Agencies** and to private parties that do not involve the Defense Working Capital Fund (DWCF) or other DoD Revolving Funds. It does not provide authority to sell to private parties, **since** specific legal authority must be identified to make such sales.

*010103. Authoritative Guidance

A. U.S. Department of the Treasury (Treasury) authorized accounts are to be credited for reimbursements made to DoD appropriations in accordance with [31 U.S.C. §§ 1535 and 1536](#). Refer to 10 U.S.C. § 2205 for further guidance.

B. Statutory authority on project order agreements for work or material or for the manufacture of material pertaining to approved projects placed with a separately managed DoD-owned establishment is given in [41 U.S.C. § 6307](#). 31 U.S.C. § 1535 governs Economy Act orders placed with an agency or major organizational unit within an agency. Chapters 2 and 3 provide detailed guidance on the use of these orders within the Department.

C. According to [DoD Instruction \(DoDI\) 4000.19](#) “Support Agreements,” DoD Components are responsible for programming, budgeting, and funding for the reimbursable support agreements into which they enter. These include agreements which a DoD Component enters into with another DoD Component, a Federal Agency or Federally-recognized Indian Tribe, a State or local government and a State or local government for support of the National Guard. DoDI 4000.19 uses the term Intra-agency support agreements to refer to agreements between DoD Components. Also, DoDI 4000.19 uses the term Inter-agency support agreements to refer to agreements between DoD Components and Federal Agencies.

D. The requirements in Treasury Financial Manual (TFM) Volume I, [Part 2, Chapter 4700, Appendix 8](#) “Section 1—Buy/Sell Transactions,” provides guidance on Buy/Sell activity that involve reimbursable activity between Federal Program Agencies (FPAs) and, between FPAs and third-party providers. These buyers and sellers are also known as trading

partners. The TFM provides the business rules and processes to properly record, report, reconcile and measure intragovernmental transactions (IGTs), including the process for dispute resolution. The TFM differentiates between two types of IGTs, intradepartmental and intragovernmental. Intradepartmental transactions result from activity between trading partners within the same department. Intragovernmental transactions result from activity between Federal Agencies not within the same department. The Volume 5, “Definitions” Chapter defines an FPA as a department, instrumentality, office, commission, board, service, or other establishment of the U.S. Government.

E. The guidance in this chapter is applicable unless a specific DoD issuance authorizes alternative reimbursement policies. The most significant of these alternative reimbursement policies include:

1. [10 U.S.C. § 2571](#) allows for the interchange of supplies and services between DoD Components without compensation. Transfers of supplies between military departments must have the permission of the Service Secretaries involved. In addition a DoD Component may perform work, services or issue supplies to another DoD Component with the permission of the respective component heads. Furthermore, costs of DoD military or civilian pay and allowances (along with dependent and household goods transportation) for detail or other assignments, may be charged to an appropriation with the approval of the receiving DoD Component head.

2. Volume 11B establishes the DoD [guidance](#) for the recovery of cost for products and services provided by the DWCF or other applicable DoD Revolving Fund activities. Reimbursable orders placed with the DWCF or other DoD Revolving Fund activities may fall under any number of authorities (e.g. Project Orders for depot maintenance). The basic transactional authority for the DWCF is derived from [10 U.S.C. § 2208\(a\)](#). This authority for buyer-seller transactions is not dependent on the Economy Act or Project Order Act statutes. See Volume 11B, for additional information regarding DWCF authorities.

3. Volume 13 establishes the DoD accounting [guidance](#) for DoD [Morale, Welfare, and Recreation \(MWR\) functions](#) performed by Nonappropriated Fund instrumentalities (NAFIs). DoD Components must not commingle Nonappropriated Funds (NAFs) with Appropriated Funds (APFs), even when used to support a common program. [DoDI 1015.15](#) “Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources,” provides further guidance.

4. Volume 15 establishes the DoD [guidance](#) for the Foreign Military Sales (FMS) of defense articles, defense services and [for providing military training to allied and partner foreign governments and multinational organizations](#).

5. [DoD Directive \(DoDD\) 3025.13](#) “Employment of DoD Capabilities in Support of the U.S. Secret Service (USSS), Department of Homeland Security (DHS),” provides the DoD policy for the use of DoD resources [for reimbursable support of the USSS, a DHS entity](#).

6. [DoDD 3025.18](#) “Defense Support of Civil Authorities,” provides the DoD policy for providing reimbursable military support when requested by civil authorities in order to save lives, prevent human suffering or, mitigate property damages within the U.S. Refer to Chapter 19 for further guidance.

7. [DoDI 3025.21](#) “Defense Support of Civilian Law Enforcement Agencies,” provides the DoD policy for reimbursable support provided to civilian law enforcement officials.

0102 REIMBURSEMENT GUIDANCE

*010201. General Guidance

A. A seller’s reimbursements are amounts earned and collected for materials sold or services furnished as a result of a reimbursable agreement. A seller’s reimbursable obligations are financed by offsetting collections. Components are to credit these offsetting collections to an expenditure account in payment for goods and services provided by that account. Refer to [Office of Management and Budget \(OMB\) Circular A-11, section 20](#) for further details. Credit the specific appropriation or fund account for the collection only when it authorized by law.

B. Activities performing reimbursable operations must be able to identify the statutory authority for the work they perform for others. The TFM in Volume I, Part 2, Chapter 4700, Appendix 8 provide the requirements for accounting, reporting, and reconciliation of IGTs between FPAs and their trading partners. The five IGT categories are Fiduciary, Buy/Sell, Transfers, Custodial, and General Fund transactions. Buy/Sell IGTs involve transactions where goods or services are purchased by one Federal Agency from another Federal Agency. Buy/Sell IGTs are exchange transactions impacting assets and liabilities; revenue and expenses; and advances/prepayments and deferred credits. Two Federal Agencies will usually execute a reimbursable agreement to formally document this agreement. Trading partners must have appropriate statutory authority, such as the Economy Act, prior to engaging in an agreement for Buy/Sell transactions. For Buy/Sell IGTs the receiving agency is the buyer and the servicing agency is the seller. Trading partners must reconcile completed performance transactions at a minimum, on a quarterly basis to ensure both parties are in agreement. The TFM provides the requirements for using the standard [Interagency Agreement \(IAA\)](#) containing Fiscal Service (FS) Form 7600A “General Terms and Conditions (GT&C)” and FS Form 7600B “Order Requirements and Funding Information (Order).” Treasury requires the use of these two IAA forms to ensure the proper recording and reporting on IGT buy/sell transactions unless, other guidance (such as OMB policy) require a completed agreement. All DoD Components must use the latest versions of FS Forms 7600A/B. Refer to 010205 for specific guidance.

C. Non-Economy Act orders for intragovernmental work and services should be executed in accordance with the detailed guidance provided in Chapter 18.

010202. Disposition of Collections

A. Collections **must** be **credited** to the appropriation that procured the services or materiel being sold when specifically authorized by law.

B. Collections for unfunded **costs such as labor of military personnel, depreciation of capital assets** and interest, **must** be deposited into the General Fund of the Treasury as miscellaneous receipts unless otherwise provided for **in** this chapter or by other DoD issuances.

C. Disposition of collections for **FMS must** be in accordance with Volume 15.

010203. Billing Standard

A. The price to be charged for goods and services furnished by the Department depends on whether that good or service is provided to, or for the benefit of a DoD Component, a non-DoD Federal Agency, a private party, or an **FMS** customer. Therefore, the ordering DoD Component activity that requisitions or orders a good or service **must** inform the performing DoD activity of the identity of the intended recipient for the requisitioned goods or services. **The ordering activity must review all charges from the performing activity to ensure that amounts due are in agreement with the reimbursable order and are supported with a copy of the order or contract and evidence of performance as provided in Volume 4, Chapter 3.**

B. DoD Components performing work or services on a customer order **must** bill the **ordering** DoD Component, other Federal Agency, or the public for earned reimbursements (performance of work or services, or delivery from inventory) within 30 calendar days after the month in which performance occurred. The payment due date **must** not be more than 30 calendar days from the date of the invoice. Bills rendered **are** not subject to audit by the customer prior to payment **as required under 31 U.S.C. § 1535.**

C. **The accurate reporting of reciprocal balances, and proper elimination of reciprocal activity between trading partners, requires accurate documentation of accounting events. Imbalances occur when Federal entities or trading partners are unable to account for and reconcile differences when buying and selling goods and services. Volume 6B, Chapter 13 provides guidance for adjustments, eliminations, and other special intragovernmental reconciliation adjustments.**

*010204. Determining Amounts to be Reimbursed

DoD Components **must adhere to the guidance in the following 14 categories (subparagraphs 010204.A – N)** when determining amounts to be collected as reimbursements. **Components may use alternative reimbursement rules described in this volume and in other DoD issuances as applicable.**

A. **According to DoDI 4000.19, reimbursement support charges must not include costs already provided for in the seller's budget. In other words, support is reimbursable to the extent that in providing the specified support for a buyer, this effort increases the seller's**

direct support costs. While indirect costs are not normally reimbursable between DoD Components they are reimbursable in agreements with Federal Agencies.

B. An order placed or agreement made under the Economy Act obligates an appropriation of the ordering entity. The amount obligated is deobligated to the amount of costs incurred and billed by the performing entity before the end of the period of availability of the appropriation. According to OMB Circular A-11 “Section 20—Terms and Concepts,” the Economy Act allows Federal Agencies or DoD Components to do work for each other. As the costs for this work are incurred, the Economy Act authorizes the collections to be credited directly to the expenditure account that provided the goods and services for reimbursement. Refer to Chapter 3 for further details.

C. A project order placed with, and accepted by a separately managed DoD- owned entity for services, material, or the manufacture of material, provide support for a valid and recordable obligation of the ordering entity. Project order appropriations remain available to pay an obligation in the same manner as appropriations remain available to pay an obligation to a commercial manufacturer or private contractor. Refer to Chapter 2 for further details.

D. As provided in Volume 13, Chapter 5, the two mechanisms for providing APF support to NAFIs are via two MWR functions. The first is the Utilization Support and Accountability (USA), and the second is the Uniform Funding and Management (UFM). MWR USA enables NAFIs to use NAFs to execute such expenses, subject to subsequent APF reimbursement. Record in the cash account with a contra entry to an Unearned Income (liability) account any MWR UFM funds received in advance. Reduce the Unearned Income account for the amount of MWR UFM expenses recorded.

E. Direct Civilian Labor.

1. A DoD Component must be reimbursed for direct civilian labor costs when performing a service or furnishing materials to another entity. If the performing Component has appropriated funds for that purpose then reimbursement is not required.

2. DoD Components, other Federal Agencies, and the public must be charged for civilian labor performed for their benefit. Calculate the costs by multiplying the actual hourly pay rates by the number of actual hours worked or assigned (detailed). Charge full-time assignments (details) using annual rates. Otherwise apply the hourly rate in accordance with Chapter 6, Appendix D.

3. Civilian personnel fringe benefit rates must be computed in accordance with Chapter 6, Appendix C. These rates are updated annually and published by OUSD(C), Deputy Comptroller Program/Budget (P/B) on the Financial Management Reports web page, listed by fiscal year (FY) under the [DoD Reimbursable Rates](#) heading. Refer to the Civilian Personnel Fringe Benefit (Tab D).

F. Direct Military Labor.

1. A DoD Component must fund the cost of direct (and indirect) military labor incurred in the performance of a service for, or the furnishing of materials to, another DoD Component via applicable military personnel appropriations. Therefore, the performing DoD Component must not charge the receiving DoD Component for reimbursement of the cost of military labor. 10 U.S.C. § 2571 authorizes this exception to typical reimbursement requirements as outlined in 010103.E.1. DoD Components must reimburse DWCF activities for the cost of military labor as prescribed in Chapter 6, Appendix B and Volume 11B, Chapter 12. U.S. Army Corps of Engineers (USACE) military labor provided in support of civil works activities of the USACE via reimbursable agreement with DoD organizations, and to non-DoD organizations through the Support for Others Program must be charged in the same manner as military labor provided to non-DoD organizations. The Support for Others Program is a reimbursable financing source that is reported each year in the USACE Annual Financial Report. As an example, refer to the USACE FY 2019 Annual Financial Report, Note 1, section 1.D “Financing Sources.”

2. DoD Components must charge non-DoD organizations for military labor on the basis of the actual hours worked or assigned (detailed), using the annual military composite standard pay rates. Compute the military personnel composite standard pay and reimbursement rates in accordance with Chapter 6, Appendix G. OUSD(C), P/B annually updates and published these rates online at Tab K under the subsection DoD Reimbursable Rates.

3. Military labor charged using the annual DoD composite rate for military labor includes a Medicare-Eligible Retiree Health Care accrual to cover the cost of health benefits for current officer and enlisted personnel after they retire and become Medicare-eligible, as well as such costs for their dependents and annuitants. The annual composite rate charged to non-DoD organizations includes an acceleration factor to cover medical health care costs of active duty personnel and their dependents. Military Services will furnish data in accordance with Chapter 6, Appendix G.

G. Temporary Duty Costs. Travel costs incurred by DoD civilian employees and military personnel incurred in performance of a reimbursable work order must be charged as a direct cost when such travel can be identified specifically to the order. Costs of supplies and other directly relatable expenses are also chargeable.

H. DoD Personal Property and Inventory.

1. According to DoDI 5000.64 “Accountability and Management of DoD Equipment and Other Accountable Property,” personal property includes systems, equipment, materials, and supplies. This does not include records of the Federal Government and real property (land and improvements to facilities). Personal property normally expected to have a period of service of a year or more after being put into use meets the OMB Circular A-11 equipment definition. This equipment must be without material impairment of its physical condition or functional capacity. Personal property either held for sale, produced for sale, or used to produce goods for sale, or to provide a service for a fee, meets the OMB Circular A-11 inventory definition.

2. Reutilization and Marketing Materiel (Surplus)

a. DoD Manual 4160.21, Volume 1 “Defense Materiel Disposition: Disposal Guidance and Procedures,” defines a surplus as excess personal property no longer required by the Federal Agencies, as determined by the Administrator of General Services. The disposition of materiel by a Defense Reutilization and Marketing Office **must** be in accordance with this DoD Manual. The accounting treatment is set forth in Volume 4, Chapter 4.

b. The general rules for the disposition of proceeds from the sale of scrap or excess personal property **must** be in accordance with Chapter 5.

3. Non-DWCF Materiel. The pricing of personal property for non-DWCF materiel depends on whether the item(s) being transferred or sold will be transferred to another DoD Component and would normally be replaced. DoD Components make this determination in accordance with the approved acquisition objective, according to OMB Circular A-25 “User Charges.” If the sale will reduce assets required to meet the approved acquisition objective, then replacement is required.

a. Issues within or to another DoD Component **with the exception of issues in support of NAFI Category C activities and USACE civil works activities, must** be on a non-reimbursable basis **as provided in 10 U.S.C. § 2571.** Such issues will require an accounting entry to reflect the transfer from the losing to the gaining activity. The accounting entry **must** reflect original acquisition cost and any accumulated depreciation. **Issues in support of NAFI Category C activities and USACE civil works activities must be priced in the same manner as issues to other Federal Agencies and private parties as provided in 010204.H.3.b.**

b. Issues to other Federal Agencies or private parties **must** be priced as follows:

(1) Materiel to be Replaced.

(a) Materiel, including equipment, for which replacement (i.e., similar, but not exact) or replacement in kind (i.e., exact) is required, **must** be transferred or sold at the estimated replacement cost, including the contract or production costs of the article less an adjustment for age and condition of the item being sold. This price is determined **in three steps.** **First,** determine the normal useful peacetime life of the item or equipment to be sold. **Second,** determine the percentage of useful life remaining on the item. **Third,** apply the percentage to the estimated (or actual) cost of the replacement item. The resultant amount is the base cost to be used in the sale price calculation. Under no condition **must** the sale price be less than the scrap value plus the cost of the last major overhaul or outfitting accomplished within 24 months before the sale.

(b) If it is imperative that the item be replaced through accelerated procurements and normal pricing policies will not adequately recoup replacement costs, an exception to DoD pricing policies **must** be requested from **OUSD(C), P/B.**

Normally, the exception would be to either add a replacement factor or delay final pricing until the contract for replacement items is financially complete.

(2) Materiel Not to be Replaced. A DoD Component that transfers or sells material, including equipment, to other Federal Agencies and private parties must do so at their original acquisition cost, net of any accumulated depreciation/amortization (i.e., net book value). If the DoD Component cannot reasonably ascertain those amounts, the cost of the material will be its fair value at the time of transfer as provided in Volume 4, Chapter 25.

I. Contracts.

1. Contract costs incurred for contracts awarded as part of a reimbursable agreement must be billed to the benefiting organization.

2. Government-furnished materiel must be billed in addition to contract costs in accordance with subparagraph 010204.H.

3. If the contract is provided to meet the requirements of a non-Federal organization, the contractor must be required to pay rent (at fair market value) to the Department for the costs incurred for the use of plant or production equipment utilized in manufacturing the item being sold.

4. The Federal Acquisition Regulation Subpart 52.232-17, "Interest," provides that all amounts that become payable under the contract must bear simple interest from the due date until paid, unless paid within 30 days of becoming due. The Treasury's Bureau of the Fiscal Service provides an online "Simple Daily Interest Calculator" for payments less than 31 days old and a monthly compounding interest calculator for payments more than a month late.

5. Contract administration charges must be charged to other Federal Agencies and private parties, in accordance with statutory or policy requirements. As allowed in 10 U.S.C. § 2571 contract administration costs are not to be charged within a DoD Component or to another DoD Component (with the exception of support to NAFI Category C activities and support provided to USACE civil works activities) when funding for such costs is included in the mission funding of the performing DoD entity. Contract administration charges for support to NAFI Category C activities and support provided to USACE civil works activities must be priced in the same manner as charges to other Federal Agencies and private parties.

6. DoD personnel services in support of contracts must be costed in accordance with subparagraphs 010204.E and 010204.F.

J. Accessorial Charges.

1. The "Glossary" Chapter defines these as costs incurred for packing, crating, and handling related to sales or shipments of property. Accessorial charges may be incurred by the DoD for direct delivery of items from contractor facilities or by DoD Components for items furnished from DoD stocks. Accessorial charges incurred by contractors for direct delivery items are normally included in the contract price. If accessorial charges of direct delivery

items are billed separately by the contractor, they **must** be reimbursed in accordance with DoDI 4000.19, Enclosure 3. Accessorial expenses incurred by one DoD Component are not reimbursable from another DoD Component, (with the exception of support provided to USACE civil works activities) when funding for such costs is included in the mission funding of the performing DoD entity in accordance with DoDI 4000.19, Enclosure 3. Accessorial expenses for support provided to USACE civil works activities must be priced in the same manner as charges to other Federal Agencies and private parties.

2. Unless otherwise provided by law or regulation, accessorial charges **must** be billed to the following:

- a. Non-DoD Federal departments, agencies, or instrumentalities.
- b. Non-Federal entities, including DoD contractors.
- c. NAFIs when property is transported for DoD MWR activities unless reimbursement has been waived by DoDI 1015.15.
- d. USACE for civil works projects or activities.

3. Accessorial charges **must** be reimbursed by non-DoD activities for the actual cost incurred **and billed**.

K. Asset Use Charge. A charge for the use of DoD assets (facilities and equipment, or both) is required to recoup depreciation and interest on investment. **In accordance with OMB Circular A-25 section 9.A, amounts collected must be returned to the Treasury as miscellaneous receipts, unless otherwise provided for by statute or other DoD guidance. An asset use charge is a factor added to the base rate to recoup depreciation and interest on investments for use of DoD facilities and equipment. A four percent charge may be used. This rate is published annually by OUSD(C), P/B. Refer to the DoD Reimbursable Rates (Tab E) for details. Alternatively, the following calculations may be performed:**

1. Depreciation is the systematic and rational allocation of the recorded cost of facilities and equipment (less its estimated salvage or residual value), as an operating expense over the period in which these assets are expected to provide benefits or the estimated useful life, whichever is shorter. Depreciation **must** be charged using the straight-line method of depreciation. A general equipment or real property item with a recorded cost that equals or exceeds the applicable capitalization threshold and has a useful life of at least two years must be capitalized as an asset and depreciated over its useful life. See Volume 4, Chapter 25. The depreciation calculation is illustrated in Table 1-1.

2. Interest expense **must be included** in reimbursement billings to private parties to recognize the interest on investment in fixed assets when such assets are acquired or manufactured for the purpose of, or prepared for use in, providing materiel to private parties. The calculation of interest on investment is illustrated in Table 1-2.

L. Repair and Maintenance. When repair and/or maintenance of items occurs, costs from a cost accounting system or, in its absence, equivalent costs developed through cost-finding techniques **must** be billed.

1. Labor cost **must** be computed in accordance with subparagraphs 010204.E and 010204.F.
2. Materiel and Supplies cost **must** be computed in accordance with subparagraph 010204.H.
3. Transportation and Related Costs **must** be computed in accordance with subparagraph 010204.J.
4. Overhead Cost **must** be computed in accordance with subparagraph 010204.N.

M. Leased or Loaned DoD Equipment. When determining the charge for leased or loaned equipment, the following elements **must** be billed:

1. Depreciation is not applicable to Federal Agencies unless the billing activity is a DWCF. Depreciation **must** be based on cost-finding techniques for sales to private parties unless actual rates are known. Calculations **must** be in accordance with subparagraph 010204.K.
2. Interest on investment in assets **must** be computed in accordance with subparagraph 010204.K and as designated within the lease agreement.
3. Value of equipment not returned to the owning DoD Component **must** be a sale to the using organization. This sale **must** be priced in accordance with subparagraph 010204.H.
4. Accessorial expenses **must** be recognized in accordance with subparagraph 010204.J.
5. Repair costs to restore equipment or property to its condition at the time leased or loaned **must** be collected from the using organization. The amounts **must** be based on either actual job order cost accumulations or estimates of the cost to be incurred based upon past repair and maintenance experience for similar equipment. The amounts collected **must** be returned to the appropriation that financed the repair and maintenance in accordance with [10 U.S.C. § 2667](#).
6. Direct labor costs **must** be computed in accordance with subparagraphs 010204.E and 010204.F; materiel and supply costs **must** be computed in accordance with subparagraph 010204.H; and overhead **must** be computed in accordance with subparagraph 010204.N.

N. Overhead.

1. Overhead involve expenses necessary to run a business that are not directly tied to the production and delivery of goods or services, according to OMB Circular A- 11.

2. Overhead is typically referred to as general and administrative (G&A) costs or some combination of G&A and indirect costs which cannot readily or directly be identified to the performance of a specific customer order for reimbursable costing. Examples of such costs include central management, rent for office space, human resources, sales, building maintenance, office supplies and utility costs. As provided by the Federal Accounting Standards Advisory Board (FASAB) in FASAB Technical Release 15 that clarifies Statement of Federal Financial Accounting Standards 6, when accumulated indirect costs are not identified as costs incurred to bring facilities and equipment to a form and location suitable for its intended use, they should be expensed.

3. DoD Components may use materiality to determine whether overhead costs should be included in reimbursable billings. This determination must be justified, documented, and be able to stand up to audit scrutiny. If an organization has a material amount of reimbursable effort, overhead costs are accumulated in a cost pool and allocated to customers. In the absence of a cost accounting system, applicable costs may be estimated.

4. Overhead charges may not be applied to reimbursable customer orders received from APF activities within the Department. However, APF activities will charge overhead on sales to other Federal Agencies, NAFI Category C activities, USACE civil works activities and private parties.

*010205. Documentation Standards

A. General. Orders must be supported by documented evidence of a formal offer and acceptance between the grantor and grantee of the order. Each party to a reimbursable support agreement will annually review the agreement for financial impacts. DoD Components will review each of their support agreements triennially in its entirety, and document each review in accordance with Component procedures. The maximum nine year expiration period starts on the date the support agreements are signed both parties involved. A party to a reimbursement support agreement may unilaterally terminate that agreement prior to the expiration date only with sufficient advance notification. A Component must submit the termination notification at least 180 days in advance. This will allow sufficient time for appropriate resource adjustments to be made during the budget formulation process. Refer to DoDI 4000.19 for additional guidance. In the absence of such documentation, there can be no assurance that there is a meeting of the minds on the material or services to be provided nor that payment is required.

B. FS Forms 7600A/B. The TFM defines a trading partner as a Federal entity that is party to intragovernmental transactions with another Federal entity. Components must use FS Forms 7600A/B for intragovernmental transactions. FS Form 7600A should cover the broadest categories of goods and services agreed to by both trading partners and, where practical, consolidate requirements to reduce the agreement workload until DoD Enterprise Resource

Planning financial systems are capable of processing FS Form 7600B or equivalent. DoD trading partners should continue to accept current order forms such as the DoD *DD Form 448*, “Military Interdepartmental Purchase Request (MIPR)” or electronic equivalent. Goods or services must be discretely defined for each order.

C. Principal Documents. The *DoD Financial Statement Audit Guide* published May 2018 allow these Key Supporting Documents for Reimbursable Work Orders:

1. FS Form 7600A, GT&C, (refer to the TFM, Volume I, Part 2, Chapter 4700, Appendix 8 “Section 1—Buy/Sell Transactions,” for further guidance).
2. FS Form 7600B, Order Requirements and Funding Information (refer to the TFM, Volume I, Part 2, Chapter 4700, Appendix 8 “Section 1—Buy/Sell Transactions,” for further guidance).
3. DD Form 448, MIPR (also included in DoDI 4000.19).
4. *DD Form 448-2*, Acceptance of MIPR.
5. *DD Form 1144*, Support Agreement (see DoDI 4000.19 for further guidance).
6. The Memorandum of Agreement (MOA) (see DoDI 4000.19 for further guidance).
7. *Standard Form (SF) 1080*, Voucher for Transfers Between Appropriations and/or Funds.
8. *SF 1081*, Voucher and Schedule of Withdrawal and Credits.

D. Preparation Standards. The following apply to document preparation:

1. FS Forms 7600A/B. To begin the agreement process, either a buyer or seller may originate a GT&C (Form 7600A) that must be completed and approved to create an Order. The Order must reference an open GT&C, however Federal Agencies do not have to complete a GT&C each time they do a related Order. Federal Agencies may complete just one GT&C for multiple years to cover multiple Orders. A Buy/Sell agreement that defines the terms, conditions, scope, and responsibilities for trading partners during the exchange is referred to as the GT&C. Data is exchanged for approval and a broad range of transactions; in general no funds are transferred and no accounting entries are created. The Order section of the Buy/Sell agreement (Form 7600B) specifies the terms, quantities and prices, accounting data, and actions of each trading partner under the overarching GT&C. It serves as the funding section of the agreement that creates a fiscal obligation and details the necessary products/services requirements. Funding information is provided for both trading partners, and all required points of contact sign to authorize the Order. It communicates the Treasury Account Symbol/Business Event Type Code for each Order Schedule Line and contains unique lines of accounting or other accounting data.

The Order will also identify the specific requirements of the buyer for the expected delivery of products or services by the seller. In addition, the Order identifies the roles and responsibilities for both trading partners to ensure effective management of the Order and use of the related funds. Treasury's Fiscal Service will eventually require all FPAs to use G-Invoicing under the authority of [31 U.S.C. §§ 3512\(b\)](#) and [3513](#), and in accordance with the TFM. G-Invoicing serves as a gateway for Federal entities to agree upon the funding terms and the accounting treatment of their reimbursable activity, and exchange that data for consistent financial reporting. The Volume 5, "Definitions" Chapter defines G-Invoicing as an online portal that supports the exchange of information in IGT activity by Federal trading partners. FPAs must implement G-Invoicing for New Orders by October 2022 and for "In-Flight" Orders by October 2023. Refer to the TFM, Volume I, Part 2, Chapter 4700, Appendix 8 for details.

2. DD Forms 448 and 448-2. The MIPR must clearly show the basis for the amount recorded. For material it should include a description of the good, quantity and amount. For services it should include a description of the service, labor hours and amount. The MIPR and MIPR Acceptance forms must also allow internal reviewers and external auditors to understand and verify the basis, value, and rationale for the recorded amounts. See Volume 4, Chapter 9.

3. DD Form 1144, Support Agreements or MOA. Document reimbursable support for inter-agency and intra-agency contracts or orders using support agreements via a DD Form 1144, or civilian agency equivalents when necessary. The parties to an agreement can use an MOA to document the specific terms and responsibilities to which they agree. Either the DD Form 1144 or MOA establishes the estimated total requirement. Figure 1 in DoDI 4000.19, titled "Sample MOA Template," provides an MOA model. The DD Form 1144 or MOA should be coordinated with appropriate program, comptroller, and legal offices. This is a fundamental control technique to demonstrate and document the legality and propriety of the arrangement. When a DoD activity is the ordering organization, the DD Form 1144 or MOA must contain language that clearly sets forth the fact that the document is subject to the availability of funds unless, the agreement itself is to be an obligating document. Certify fund availability and record the obligation promptly if, the agreement is to be an obligating document.

4. SF 1080. Intragovernmental payments result from transactions between Federal entities for sales, services, or transfers between such entities. DoD Components may use the SF 1080 voucher as support for bills to other DoD Components and non-DoD Federal Agencies when unable to utilize electronic data interchange methods. See Chapters 2, 9, 16 and Volume 10, Chapter 10.

5. SF 1081. DoD Components may use the SF 1081 voucher when a manual process is required to generate inter-agency payments and collections with non-DoD Federal Agencies. See Volume 10, Chapter 10.

Table 1-1 STRAIGHT-LINE METHOD OF DEPRECIATION

EXAMPLE OF STRAIGHT-LINE METHOD OF DEPRECIATION	
Acquisition cost of the asset	\$1,000,000
Less: Residual value (scrap)	<u>\$ 100,000</u>
Depreciable basis	<u>\$ 900,000</u>
Estimated useful life in years	20
<p>The annual depreciation expense of \$45,000 is computed by dividing the \$900,000 depreciable basis by the 20-year useful life.</p> <p>Hourly charge is computed by dividing the annual depreciation expense of \$45,000 by 2,080 (standard yearly hours) to arrive at \$21.63 per hour.</p> <p><i>Note: the standard 40 hour work week x the standard 52 weeks in a year = standard yearly hours.</i></p> <p>Multiply the hours used to complete the customer order by the hourly charge. For example, 500 hours x \$21.63 = \$10,815 depreciation expense to be charged.</p>	

Table 1-1

Table 1-2 INTEREST ON INVESTMENT CALCULATION

EXAMPLE OF INTEREST ON INVESTMENT CALCULATION	
Acquisition cost of the asset	\$1,000,000
Less: Accumulated depreciation (5 years at \$45,000 per year)	<u>\$ 225,000</u>
Net Book Value	<u>\$ 775,000</u>
Annual interest (<i>assume a rate of 10 percent per annum in this instance</i>)	\$ 77,500
<p>Hourly charge is computed by dividing the annual interest of \$77,500 by 2,080 (standard yearly hours) to arrive at \$37.26 per hour.</p> <p><i>Note: the standard 40 hour work week x the standard 52 weeks in a year = standard yearly hours.</i></p> <p>Multiply the hours used to complete the customer order by the hourly charge. For example, 500 hours x \$37.26 = \$18,630 interest on investment to be charged.</p>	

Table 1-2