

**VOLUME 11B, CHAPTER 2: “ESTABLISHMENT OF FUND ACTIVITIES,  
TRANSFER OF FUND FUNCTIONS AND CLOSURE OF FUNDS ACTIVITIES”**

**SUMMARY OF MAJOR CHANGES**

All changes are denoted by **blue font**.

Substantive revisions are denoted by an \* 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 October 2002 is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
Various	Updated hyperlinks.	Update
0201	Clarified the purpose of the chapter.	Update
020201	Added statutory references for working capital funds.	Add
020301	Updated roles and responsibilities for reviewing business entities for inclusion or exclusion in the DWCF.	Update
020401	Clarified entity may request an appropriation of funds to supplement its resources.	Update
020402.B	Clarified entity shall bill unfunded leave liability.	Update
020402.C	Clarified policy for depreciating transferred capital assets.	Update
020505	Added requirement to monitor transferred proprietary account balances to ensure proper liquidation.	Add
020506	Added requirement to monitor transferred budgetary account balances to ensure proper liquidation.	Add
020506.A.4.A	Adds policy for the gaining activity to record newly transferred personnel and real property in an approved accountable system of record	Add
020506.F 020506.G.1 020506.G.2	Added policy for monitoring all remaining and transferred balances to ensure timely and proper liquidation occurs.	Add
020602.I	Added requirement to address unbilled receivables.	Add
020602.L	Added guidance to bill customers for unreimbursed costs prior to closing.	Add

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## CHAPTER 2

**ESTABLISHMENT OF FUND ACTIVITIES, TRANSFER OF FUND FUNCTIONS  
AND CLOSURE OF FUND ACTIVITIES**

## \*0201 PURPOSE

This chapter provides requirements for the chartering of Defense Working Capital Fund (DWCF) activities. This chapter also provides requirements for transfer of fund functions and closure of fund activities.

## 0202 ESTABLISHMENT OF FUND ACTIVITIES

## \*020201. Submission of Charter

Prior to the financing of an activity under the DWCF, a proposed charter shall be submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), [Revolving Funds](#) for approval. The DoD has authority under [10 U.S.C. 2208](#) to establish DWCFs to finance inventories of supplies and provide working capital for industrial and commercial-type activities.

## 020202. Criteria for a DWCF Activity

In order for a Service or DoD agency organization or program or function to be considered for inclusion in the DWCF it must meet all of the following criteria:

A. Outputs that relate to products or services provided by the activity group to customers (i.e., production of goods or provision of services that are common to requirements of more than one [major command](#), and/or DoD Component.)

B. A cost accounting system is available that is capable of collecting costs of producing outputs. The activity must have the capability to charge prices or rates that are capable of recovering the full funded costs of the provided goods and services in accordance with Chapter 1 of this volume. For additional information on general cost concepts refer to Volume 4, Chapter 19 of this regulation.

C. Activities that require and order products or services (i.e., customers) can be identified so that resources can be aligned in the account of the customer with the requirement. The demand for the goods or services to be provided by the program or organization must come from multiple customers within DoD and/or other federal government entities.

D. Identification of a buyer-seller relationship to the extent that the buyer can influence cost and workload and the buyer has alternative sources that can provide the products or services. [Operation of the program or organization as a DWCF business area should result in](#)

a better identification of the full cost of operations and may also result in better quality goods/services and/or result in decreased costs to the federal government.

### 0203 DEFENSE WORKING CAPITAL FUNDS CHARTER REQUIREMENTS

#### \*020301. Charter Format

The DWCF charter format is included in [Annex 1](#) of this chapter. Charter provisions are applicable to each DoD Component activity group included within the DWCF. The charters describe the mission of that Component by activity group. Before charter preparation, actions shall be taken to ensure that the proposed business entity meets the criteria listed in paragraph 020202. Activities must document these criteria as it applies to all proposals for new DWCF business entities, as well as, the addition of new lines of business within existing DWCF business entities. After charter approval, the chartered DWCF business entity shall review it annually to assure it remains current. Changes, if needed, shall be prepared and submitted to the OUSD(C), Revolving Funds for approval.

#### 020302. Charter Contents

Each charter shall include the following as a minimum:

- A. Statutory authority that authorizes the establishment of a DWCF activity or activity group.
- B. Brief description of the mission of the activity or activities and nature of its products or services.
- C. Designation of the organization (Management Command) directly below the departmental-level that has authority over the management of the DWCF activity group. Additionally, the charters shall state whether the Management Command is funded from the DWCF.
- D. Name and location of the activity or activities to be operated under the charter.
- E. Statement of any policy exceptions specifically authorized for the fund's activity group or any activity included within the fund's activity group.
- F. Cancellation of any previously approved charter(s), if applicable.

#### 020303. Charter Support

Documentation supporting the charter application of an activity requesting entry into the DWCF shall include:

A. Explanation of how the proposed DWCF activity meets the minimum criteria listed, in paragraph 020202, above, and any additional requirements of the [OUSD\(C\)](#) for the specific activity or activities.

B. Justification of any exception to the provisions of this Regulation.

#### 020304. Amendment or Cancellation of Charters

Requests for cancellations or amendments of existing charters shall be forwarded to the [OUSD\(C\)](#), [Revolving Funds for approval](#) and supported by the following information:

A. Justification for the proposed action that may consist of copies of supporting evaluations or studies.

B. Information as to the disposition of assets and liquidation of liabilities, as necessary.

#### 020305. Annual Charter Review

The DoD Components shall review DWCF operations each fiscal year to ensure that the charters are current. Any required changes shall be submitted to the [OUSD\(C\)](#), [Revolving Funds](#) in accordance with paragraph 020304, above.

### 0204 COMMENCEMENT OF FUND OPERATIONS

Upon charter approval and commencement of DWCF operations, financial control over initial appropriations, assets, liabilities, and capital shall be established in accordance with the following guidance:

#### \*020401. Initial Appropriation and/or Reappropriation

Before a DWCF activity can begin operations, it needs fiscal resources. To begin initial operations, a DWCF business entity is provided necessary capital either by a nonexpenditure transfers from another working-capital fund or appropriation following congressional notification required by Title 31, United States Code, subsections 2208(r), or Congress may appropriate initial capital in response to a request in the President's budget submission to Congress. The latter is necessary when the level of anticipated cash available is estimated to be insufficient during the initial fiscal year of operation. Appropriations made available to commence operation of a DWCF entity remain available for obligation without fiscal year limitation for their specified purpose until expended or withdrawn. A reappropriation to a DWCF activity is statutory authority to restore or extend the obligational availability of all or part of the unobligated balance of budget authority that has expired or would otherwise expire in an annual or multiple-year appropriation. Typical budgetary and proprietary accounting entries applicable to receipt and distribution of appropriations and reappropriations are illustrated in Volume 3, Chapter 13 of this Regulation. The accounts established for use by departmental-level accounting entities implement the [United States Standard General Ledger \(USSGL\)](#).

**020402.** Initial Assets and Liabilities

A. Working capital to commence operations may be provided by a nonexpenditure transfer of fund balances from another appropriation or federal (general) fund account to the DWCF account. [Volume 3, Chapter 13 of this Regulation contains information about nonexpenditure transfers.](#)

\*B. Personnel assigned from an appropriated fund activity to a DWCF activity are accompanied by a liability for the amount of accrued earnings and annual leave earned by those employees prior to their transfer. [Payment](#) in the form of cash or other agreed upon equivalent assets such as inventories or equipment [shall](#) be made to the receiving DWCF activity for the amount of the liabilities assumed.

\*C. Assets provided from other appropriations or funds to commence operations of a DWCF activity shall be recorded as Financing Sources Transferred in Without Reimbursement. The DWCF shall record a liability for an item transferred from a non-DWCF account only when the item is undelivered at the time of the transfer and the obligation for the item on the books of the organization from which the item was transferred resulted from a reimbursable order from a customer. Otherwise, bills for assets on order at the time of the transfer to the DWCF shall be paid by the appropriation or fund originally ordering the item. This is appropriate since the original appropriation or fund ordering the item was funded through the budget process to procure the item. [Depreciation of capital assets that are transferred into a DWCF activity without reimbursement and with no pre-existing depreciation schedules or accumulated depreciation, shall be calculated based on the net value \(original acquisition cost less calculated accumulated depreciation\) plus any associated costs for transportation, installation, and other related costs necessary to put the asset into operational use.](#) For additional information on accounting for [PP&E](#) refer to Volume 4, Chapter 6 of this Regulation.

D. At the time of initial capitalization, Financing Sources Transferred In Without Reimbursement shall equal the value of all assets excluding nonexpenditure transfer of Treasury fund balances from other appropriations, plus the initial appropriation transferred to the activity without reimbursement or assumption of liability by the DWCF less the sum of the obligations transferred to the activity for which DWCF resources are liable for future disbursement.

**0205** TRANSFER OF DWCF FUNCTIONS**020501.** Transfer Actions

The general actions and related procedures in paragraph [020502](#) through [020508](#) shall be followed when transferring all or a portion of the functions from a DWCF activity to another DWCF activity or to an appropriation funded activity. Specific actions and procedures shall usually be necessary to accommodate unique circumstances of the transferring activities.

**020502.** Functions to be Transferred

In the case of a partial transfer of functions, specific negotiations should take place between the affected organizations to identify specific functions that are to be transferred, the effective date(s) of transfer, and the disposition of functions not transferred. Action must be taken to ensure that valid requirements are funded by the activity having the requirement. Follow-on negotiations should identify and remedy any initial oversight and specific directions should be provided once these follow-on actions are complete. All actions taken shall be consistent with the negotiated agreements. Pending final negotiations, all excluded functions shall remain with the current organization.

**020503.** Physical, Financial, and Personnel Resources

The organizations involved shall identify resources to be transferred incident to the functional transfer. Follow-on actions shall identify resources not recognized in the original negotiations, and specific directions shall be provided commensurate with finalized agreements. All actions taken shall be consistent with negotiated agreements.

**020504.** Interim Funding

If an interim funding method is to be used to fund the transfer, pending resolution of other issues, [the organizations involved will](#) determine the method and intended duration of the interim funding. Funding provided by a locally established order should not exceed 30 days.

**\*020505.** Budgetary Accounts

There should not be an automatic transfer of budgetary account balances from the losing activity to the gaining activity. Where items included in an existing obligation or order are for continuing services or other requirements of the transferred entity, an agreement must be negotiated between the losing and gaining activities. This agreement must specify whether accountability will remain identified to the losing activity, or if documents will be modified to reflect the gaining fund cite and paying office. In instances where accountability remains identified to the losing activity, a reimbursable support agreement shall be negotiated, and accounting support shall continue to be provided by the losing activity and paid for by the gaining activity. [All actions relating to the fiduciary aspects of the transfer will be captured and monitored as part of the overall transfer plan. A senior financial official from the organizations involved and the servicing DFAS site will be identified and accountable for ensuring the integrity of the post transfer financial balances. Specific action items will be identified in the transfer plans to ensure that all account balances are maintained and properly liquidated subsequent to the transfer. Transferred balances will be closely monitored to ensure that pending and in-process transactions are properly posted in a timely fashion, and balances are not orphaned.](#) The following actions are needed for the transfer of outstanding commitments, obligations, and unfilled customer orders.

A. Outstanding commitments for functions to be transferred from the losing activity should be canceled, but only when managed in coordination with the gaining activity to



ensure that the procurement cycle is not interrupted. Concurrent with cancellation at the losing activity, the new commitment shall be entered into the accounting system by the gaining activity, and purchases under the document shall reflect the gaining activity as the accountable entity. In those cases where cancellations of an outstanding commitment would unduly interrupt the purchase cycle, a reimbursable order from the gaining activity, citing gaining activity funding, shall be provided to the losing activity.

B. Undelivered orders and other outstanding obligations account balances shall not be transferred from the losing activity to the gaining activity without validation. All undelivered orders and other outstanding obligations for goods and services ordered but undelivered directly related to functions transferring from the losing activity shall be reviewed, and decisions made on the appropriate disposition for each transaction. Undelivered orders and other outstanding obligations for items or services no longer required shall be canceled, and any termination costs which result from the cancellation shall be the responsibility of the losing activity. If outstanding obligations support a continuing need, that need may be filled through either a modification to the undelivered order or continued funding by the original ordering activity with reimbursement from the new requiring activity.

C. Unfilled customer order account balances shall not be transferred from the losing activity to the gaining activity without validation. Unfilled customer orders citing current funding which are directly related to functions transferring from the losing activity shall be reviewed to determine what orders for goods or services remain outstanding, and to identify the activity responsible for providing these goods or services to the customer. If goods or services are to be provided by the gaining activity, reimbursement to the gaining activity may be provided through either an amendment to the unfilled customer order or through funding provided by the losing activity. If an unfilled customer order is amended, the losing activity, along with the gaining activity, must ensure that the customer is advised of this decision. If goods or services are to be provided by the losing activity, the losing activity shall continue to bill the customer, and return any remaining unobligated balances to the customer after the order is completed.

\*020506. Proprietary Accounts

All actions relating to the fiduciary aspects of the transfer will be captured and monitored as part of the overall transfer plan. A senior financial official from the organizations involved and the servicing DFAS site will be identified and accountable for ensuring the integrity of the post transfer financial balances. Specific action items will be identified in the transfer plans to ensure that all account balances are maintained and properly liquidated subsequent to the transfer. Transferred balances will be closely monitored to ensure that pending and in process transactions are properly posted in a timely fashion, and balances are not orphaned.

A. The following actions are required incident to the transfer of PP&E from one DoD entity to another. Detailed information on PP&E assets may be found in Volume 4, Chapter 6, of this Regulation.

1. A preliminary agreement will be documented between losing and gaining activities as to the specific PP&E to be transferred. Ownership of selected assets, such

as equipment, hardware, software, furniture, etc., necessary to the performance of the functions being transferred shall transfer to the gaining activity. Assets required exclusively in support of the function being transferred also shall be transferred to the gaining activity. Ownership of shared assets shall be determined based upon guidance in Volume 4, Chapter 6, of this Regulation. Accounting entries to remove PP&E from the accountable records of the losing activity must agree with the transfer of physical assets and support physical and financial accountability for the PP&E transferred to the gaining activity.

2. A joint inventory will be conducted and documented between representatives of the losing and gaining activity to mutually verify the availability and accuracy of PP&E and related information scheduled for transfer. The PP&E not transferred because of condition or unavailability shall be disposed of and removed from the accountable records of the losing activity prior to transfer. After validation of assets to be transferred, a final listing shall be compiled showing all pertinent information for the assets agreed upon for transfer.

3. Losing activities must provide copies of physical custody control records to gaining activities and prepare accountability transfer documents. The losing activity shall provide the gaining activity copies of all Property Record Cards (or similar physical custody records) used to maintain physical control of each item included on the final listing of assets to be transferred. Transfer documents shall be prepared concurrently to remove asset accountability from the records of the losing activity. A copy of each transfer document shall be provided to the gaining activity to support the value of capital asset accountability to be established. The transfer document shall disclose, if known, the original acquisition cost and the accumulated depreciation for items transferred. If those values are not known, the transfer value shall be the fair market value amount mutually agreed to by the losing and gaining activities. However, if those values are not known, such a transaction shall not create a financial gain or loss for the gaining or losing activity. Each transfer document shall identify the losing and gaining activity, by name and DoD Activity Address Code (DoDAAC) along with current points of contact.

4. Gaining activities must establish physical custody and control of assets transferred using copies of physical custody control records provided by the losing activities, and prepare accountability acceptance documents.

\*a. Each gaining activity shall prepare new property records (DoD Property Record ([DD Form 1342](#))) for each item of equipment. Computer generation of DoD Property Records is authorized if the data elements are included in the same order as on the printed [DD Form 1342](#). Official property custody records shall be maintained by the gaining activity. [DD Form 1354](#) (Transfer and Acceptance of DoD Real Property) shall be used to record the physical custody/accountability of real property. The gaining shall record newly transferred personnel and real property in an approved accountable system of record.

b. Specific categories of equipment and plant property are monitored and controlled by offices, other than the installation having ownership and physical custody of the item. Notification shall be made to the following control offices consistent with the property control and management requirements of each applicable item:

(1) Notify Defense Supply Center Richmond for Federal Supply Group 34 (Metalworking Machines).

(2) Notify Naval Facilities Engineering Command and the Navy Facility Assets Data Base for Navy real property item accountability changes such as buildings, etc.

(3) Notify Military Traffic Management Command for railroad equipment.

(4) Notify Plant Property Accounting Office/Activity and Transportation Equipment Management Center for industrial plant equipment items.

c. Each gaining activity shall receive a copy of all transfer documents from the losing activity to support the value of all capital asset accountability to be established. Each transfer document shall identify the losing and gaining activities, both by name and DoDAAC. Adequate controls must be established to ensure that proper accountability is maintained for all PP&E transferred to gaining activities. Those controls should provide, at a minimum, assurance that assets transferred and their values are consistent with and/or reconcilable to the joint inventory conducted between representatives of the losing and gaining activity, copies of transfer documents received from the losing activity, and DoD Property Records ([DD Form 1342](#)) prepared by the gaining activity.

B. Detailed information on construction-in-progress may be found in Volume 4, Chapter 6. Ownership of assets under development, e.g., physical assets or software under development, shall be transferred to the gaining activity where such efforts are directly related to the functions being transferred. The losing activity shall debit the financing Account 5730 and credit the Account 1720, "Construction In Progress," for the value of work completed to date. Concurrently, the gaining activity shall record the same value as a debit to the Construction in Progress account and a credit to the financing Account 5720, "Financing Sources Transferred In Without Reimbursement." Both of the transfer actions should occur in the same accounting period. The gaining activity shall record the transaction based on notification by the losing activity or the designated liaison office. The capital budget authority of the gaining DWCF activity shall require appropriate adjustment for assets transferred during construction to ensure authority for the gaining activity to complete the asset.

C. Detailed information on work in process may be found in Volume 4, Chapter 4 of this [regulation](#). Work in process for customers (unfilled customer orders) shall not be transferred from the losing activity to the gaining activity without validation. Unfilled customer orders citing current funding which are directly related to transferring functions shall be reviewed to determine what orders for goods or services remain outstanding, and to identify the activity responsible for providing these goods or services to the customer. If the work in process is to be completed by the gaining activity, reimbursement to the gaining activity may be provided through either an amendment to the unfilled customer order or through funding provided by the losing activity. If an unfilled customer order is amended, the losing activity,

along with the gaining activity, must ensure that the customer is advised of this decision. If the work in process is to be completed by the losing activity, the losing activity shall continue to bill the customer, and return any remaining unobligated balances to the customer after the order is completed. Transactions outstanding prior to the transfer shall remain on the accounting records of the losing entity until completed, canceled, or reissued as a gaining activity responsibility.

D. Detailed information on raw materials may be found in Volume 4, Chapter 4 of this [regulation](#). Raw materials on hand that shall be transferred should be validated prior to their transfer. If the precise value of raw materials for which accounting is to be transferred cannot reasonably be validated prior to transfer, representatives from both the losing and gaining activity shall jointly review the most current physical and financial reconciliation records available. Concurrently, any apparent abnormal financial values or financial transactions which appear abnormal shall be jointly reviewed and a consensus reached as to the reliability of records being transferred. Statistical sampling or other methods of verification should be used, as appropriate. Records of accountability being transferred must be as reasonably accurate as possible. Raw materials accounting transfers shall be based on the mutually validated on hand values of the accountable records of the losing activity. If accountability for raw materials is to continue to be maintained using existing supply and financial records, the above validation procedures and requirements remain the same.

E. Detailed information on inventory may be found in Volume 4, Chapter 4 of this [regulation](#). Inventory in transit is the value of items moving between a DoD supply activity and a contractor or other government supplier, or moving between storage locations within a DoD Component. Amounts posted to this account are based upon ownership acceptance, or payments made for materiel not yet physically received. Amounts recorded in this account are supported by individual documents evidencing the ownership acceptance or payment prior to receipt. As is the case with the inventory records, records supporting the transfer of accountability for inventory in transit must be as accurate as possible. Where practical, each document should be reviewed for validity. Inventory in transit values transferred shall be based on the validated value of documents supporting inventory in transit values. In those instances where transactions are determined to be invalid, action should be initiated to adjust the accountable records of the losing activity. If accountability for inventory in transit is to continue to be maintained using existing financial records, the above validation procedures and requirements remain the same.

\*F. Detailed information on accounts receivable may be found in Volume 4, Chapter 3, "Receivables," of this regulation. Accounts receivable that are to be transferred should be validated prior to their transfer. If the precise value of accounts receivable for which accountability is to be transferred cannot reasonably be validated prior to transfer, representatives from both the losing and gaining activity shall jointly review the most current physical and financial reconciliation records available. The accounts receivable values transferred shall be based on the mutually validated accounts receivable values. Statistical sampling or other methods of verification should be used, as appropriate. Records of accountability being transferred must be as reasonably accurate as possible. Any adjustment amounts shall be included on the accountable records of the losing activity. Action may be taken to terminate collection action and write off the debt when the criteria in Volume 4, Chapter 3,

paragraph 030407, of this regulation apply. All remaining and transferred balances will be closely monitored by the involved organizations and the servicing DFAS to ensure timely and proper liquidation occurs.

G. Detailed information on liabilities may be found in Volume 4, Chapters 9 and 10 of this regulation.

\*1. Accounts payable that are to be transferred should be validated prior to their transfer. If the precise value of accounts payable for which accountability is to be transferred cannot reasonably be validated prior to transfer, representatives from both the losing and gaining activity shall jointly review the most current physical and financial reconciliation records available. The accounts payable values transferred shall be based on the mutually validated accounts payable values. Statistical sampling or other methods of verification should be used, as appropriate. Records of accountability being transferred must be as reasonably accurate as possible. Appropriate action shall be taken to adjust all transactions recorded as accounts payable which are determined to be no longer valid. Any adjustment amounts shall be included on the accountable records of the losing activity. All remaining and transferred balances will be closely monitored by the involved organizations and the servicing DFAS to ensure timely and proper liquidation occurs.

\*2. The liability for accrued payroll and annual leave for employees transferring from a revolving fund activity to another revolving fund activity or to an appropriated activity becomes a liability to the gaining activity as of the date of the transfer. This liability shall be recorded on the respective records in the appropriate net position and liability accounts. The losing revolving fund activity shall provide a listing to identify individuals transferring and confirm the value of the leave liability of those employees. Regardless of the contributing event, a revolving fund activity that loses employees through reorganization or transfer to an appropriation-financed activity shall transfer cash equal to the accrued payroll to the gaining appropriated fund activity and cash equal to the amount of any funded accrued annual leave value to the Treasury as miscellaneous receipts. All remaining and transferred balances will be closely monitored by the involved organizations and the servicing DFAS to ensure timely and proper liquidation occurs.

H. Detailed information on net position may be found in Volume 4, Chapter 15 of this regulation. An increase to net position is recognized when an activity operating within the DWCF receives an asset that shall not require the use of available resources to finance the item. Conversely, a decrease to net position is recognized each time an activity receives a liability (e.g., accounts payable and unfunded annual leave) from another activity for which payment in the form of cash or other assets is not provided. Entries vary depending on what is being transferred. Various situations have been covered in the preceding paragraphs detailing transactions that impact net position. Additional information relating to net position may be found in Chapter 10, of this volume.

## 020507. Determine New Fund Citation, and New or Revised Data Structure

A. A fund citation must be used on all accounting documents. To permit continued operation of transferred functions by the gaining activity, the gaining activity shall ensure that the proper fund code is provided to those installations transferring to its command and that instructions for preparation of requisitions are provided sufficient to ensure billing to the proper accountable activity. The fund citations provided must include the applicable accounting classification code, and must also identify any applicable fund code(s), either system unique, or DoD-wide, or both. All obligating documents such as contracts, small purchase actions, travel orders, training requests, and requisitions prepared for purchase of materiel from the military supply system or the General Services Administration shall cite the gaining activity accounting classification code.

B. A DoDAAC is used to identify a DoD installation (or, in some instances, components thereof) for purposes of mail and communications, shipment of materiel, or billing for assets issued from the DoD military supply system. The DoDAAC assignments are controlled by each of the DoD Components; however, they are centrally maintained and distributed to the DoD Components by the Defense Automatic Addressing Systems Office to ensure total system visibility. The DoDAAC (in Navy terms, the Unit Identification Codes (UIC)) is required on Military Standard System requisition documents to ensure compatibility with the logistics management systems. These requisition documents become obligating documents and are the basis for creation of other logistics and financial documents. The circumstance of each transfer action may require identification of the transferred or consolidated segment of the losing activity as a new entity. In such cases, new DoDAACs shall be established and distributed to applicable activity personnel to ensure the proper preparation and subsequent processing of transactions for accounting and reporting. Concurrently, each transfer shall be evaluated to ensure that all Service Code assignments, fund code assignments, routing identifier codes, and all other Military Standard supply and financial systems coding have been established consistent with the transfer status of the new entity.

## 020508. Other Actions Required to Accomplish the Accounting Transfer

A. Reimbursable agreements may exist between the losing installation and other entities for the provision or receipt of services and other support. It is essential that such reimbursable agreements be identified and that the gaining activity and the providing or receiving entity negotiate Intra-Service Support Agreements or Service Support Agreements to define reimbursable services and support to be provided and received.

B. The transfer of payroll processing shall normally be accomplished either at the beginning of a pay period or at the beginning of a fiscal year. Whenever payroll transfers occur, an agreement shall be negotiated between the activities as to the date to be used for transfer. The losing activity is responsible for the salary and benefits of all transferring employees through the agreed upon transfer date. The losing activity also shall be responsible for payment in the form of cash or other assets for any unused compensatory time, and merit pay bonuses earned by transferring employees for the fiscal year.



C. Travel advances and outstanding travel obligations for travel which has occurred, or is in process, shall remain with the losing activity pending settlement. Only travel for transferring activity personnel begun after the effective date of the transfer shall be an obligation of the gaining activity. The losing and gaining activity shall jointly review outstanding travel documents and deobligate those no longer valid. Where temporary duty begins before and ends after the effective transfer date, travel documents shall contain fund citations (and appropriate estimates) to ensure payment of travel costs commensurate with the duty station of the individual during each of the travel periods. Separate travel documents for each period are recommended. Copies of all related travel documents shall be provided to both the losing and gaining activities to ensure proper processing. The losing activity shall prepare the travel order, and make appropriate disbursements. Amounts charged to the gaining activity shall be processed as a Transaction for Others or other agreed-upon procedures by the losing activity. Losing activities shall always obtain authority to cite gaining activity funding on travel orders.

D. If an outstanding contract(s) is essential to the needs of another DoD activity, that need may be filled through a contract modification citing the appropriation or fund of the other DoD activity. It is especially important that contracts for PP&E be terminated when feasible. Termination costs which result from the cancellation shall be identified as base closure costs.

E. A contract modification must be sent to contractors, under normal change procedures, for each contract for which the responsibility for contract payment is transferred. This is necessary to advise the contractor of a change in paying office. If responsibility for both contract payment and accounting for the losing and gaining activity remains unchanged, a contract modification is not necessary. Instead, the accounting office shall transfer transactions (i.e., payments, refunds, collections) identified to the losing activity that properly belong to the gaining activity and record those transactions as a transaction of the gaining activity. Concurrently, for reports to the Treasury Department, disbursement and collection values are reported as if they occurred within the gaining activity.

F. The gaining activity shall develop procedures to control and manage the required accounting and system changes. Account control totals and other internal control mechanisms shall be developed and used to insure that accounting integrity is maintained.

G. The gaining activity shall provide specific instructions to new organizational elements transferred to it including points of contact, office symbols and phone numbers, in order to continue the reporting function in an efficient and effective manner.

## 0206 CLOSURE OF DWCF ACTIVITY

### 020601. General

The DWCF **does** not have any funds available to them for payment of costs or absorption of losses that are not related to their output. Reimbursable rates developed for DWCF activities generally recover only costs incurred in providing requested goods or services. Costs over and

beyond those costs generally are not considered in reimbursement rate computations. As a result, the DWCF **does** not have, through their normal operations, funds available for payment of costs resulting from closure actions that are directed by higher authority such as the Base Realignment & Closure (BRAC) Commission. The OUSD(C), OUSD(C)(P/B), Directorate for Military Construction provides instructions applicable to budget formulation and congressional justification for BRAC appropriations.

020602. Base Closure Actions

The following general actions and related procedures shall be followed upon notification that a DWCF activity is to be closed. In the case of a partial transfer of a particular function, specific actions and procedures are identified in paragraph 0205, above. Specific actions and procedures shall usually be necessary to accommodate unique circumstances of the closing activities.

A. The organizations involved shall identify the specific functions to be terminated and the disposition of these functions. Specific guidelines on the disposition of these functions shall be provided once the review is complete.

B. The organizations involved shall identify and validate the physical, financial, and personnel resources to be disposed of or terminated at the closing activity. Specific directions shall be provided once the review is complete.

C. The organizations involved shall identify any interim funding method and intended duration. If an interim funding method is to be used to fund the closure, the affected organizations shall determine the method and intended duration of the interim funding. Funding provided by a locally established order should not exceed 30 days.

D. The organizations involved shall identify outstanding commitments for the functions of the closing activity to be terminated. Outstanding commitments that are not absolutely necessary should be canceled.

E. The organizations involved shall review all existing contracts not directly associated with a funded customer order and terminate those for which the contracted service or good is, or shall be, no longer essential. It is especially important that contracts for PP&E be terminated when feasible. Termination costs which result from the cancellation shall be identified as base closure costs.

F. The organizations involved shall review and validate the undelivered orders of the closing activity for goods and services ordered but undelivered. Undelivered orders for goods and services ordered but undelivered directly related to the functions to be terminated shall be reviewed and decisions made on the appropriate disposition for each transaction. Undelivered orders for items or services no longer required or that are not likely to be delivered shall be cancelled and the appropriate amounts deobligated.



G. The organizations involved shall review and validate the outstanding accounts payable. Accounts payable directly related to the functions being terminated from the closing activity shall be reviewed and decisions made on the appropriate disposition for each accounts payable for goods received but not yet paid, return of goods that are no longer needed, and recovery of the amounts payable. If the precise value of accounts payable for which accountability is to be terminated cannot reasonably be validated prior to closing, representatives from the organizations involved shall jointly review the most current physical and financial reconciliation records available. The accounts payable shall be based on the mutually validated accounts payable values. Statistical sampling or other methods of verification should be used, as appropriate. Records of accountability being terminated must be as reasonably accurate as possible. Appropriate action shall be taken to adjust all transactions recorded as accounts payable which are determined to be no longer valid. Any adjustment amounts shall be included on the accountable records of the closing activity.

H. The organizations involved shall review and validate the unfilled customer orders. Unfilled customer orders citing current funding which are directly related to the functions to be terminated from the closing activity shall be reviewed and decisions made on the appropriate disposition for each unfilled customer order. If unfilled customer orders for goods or services can be completed by the closing activity prior to closing, the closing activity may continue work. If customer orders cannot be completed, the closing activity shall bill the customer for the work completed and return any remaining unobligated balances to the customer.

\*I. The organizations involved shall review and validate the outstanding accounts receivable to include any unbilled amounts. Accounts receivable which are directly related to the functions to be terminated from the closing activity shall be reviewed and decisions made on the appropriate disposition for each account. If the precise value of accounts receivable for which accountability is to be terminated cannot reasonably be validated prior to closing, representatives from the organizations involved shall jointly review the most current physical and financial reconciliation records available. The accounts receivable shall be based on the mutually validated accounts receivable values. Statistical sampling or other methods of verification should be used, as appropriate. Records of accountability being terminated must be as reasonably accurate as possible. Any adjustment amounts shall be included on the accountable records of the closing activity.

J. The organizations involved shall reconcile financial and logistic stock records with physical inventories; determine whether quantities on hand are in excess of requirements to complete the remaining productive workload and other closeout needs; purge the inventories of all obsolete, damaged and surplus items; and dispose of excess material and supplies in accordance with logistics inventory policies and procedures.

K. The organizations involved shall review and validate outstanding travel advances and travel obligations. Travel that is no longer required shall be deobligated. Outstanding travel advances and travel obligations for which travel has occurred, or is in process, shall be liquidated prior to closing the activity.

\*L. The organizations involved shall review and validate advance payments received in advance of performance. If the closing activity has received payment for ordered work in advance of its performance, then the amount of the advance less the amount of obligations, if any, incurred in partial completion of the order shall be returned to the financing appropriation. If the amount of the advance is less than the obligations incurred, the closing activity shall bill the customer for the unreimbursed obligations incurred and ensure that collection is received prior to closing. Move cost to overhead expense when the BRAC funds expire.

M. The organizations involved shall prepare fiscal year end financial statements for the closed activity.

N. The organizations involved shall forward a request for cancellation of existing charters to the OUSD (C), Revolving Funds.

020603. Financing BRAC Related Costs

Costs at a DWCF activity must be financed by a BRAC account when those costs are a direct result of a BRAC determination that a base is to be closed. Stated in a different manner, charges for goods and services provided through DWCF may not include amounts necessary to cover costs incurred in connection with the closure or realignment of a military installation. The BRAC costs are those required to carry out actions that are in direct support of closing or realigning bases. Prior year, current year, or budget year operating losses in the DWCF shall not be budgeted in the BRAC base closure accounts. Although overhead associated with the costs listed below shall be charged to the BRAC account, increases in overhead on existing and new customer work shall not be considered a direct result of a determination that a base be closed and, therefore, shall not be charged to a BRAC account. Costs identifiable directly to base closure actions shall be accumulated separately for reimbursement from a BRAC account. Costs attributable to base closure actions include:

A. Environmental Restoration and Mitigation includes reducing, removing and recycling hazardous waste, and removing unsafe buildings and debris.

B. Planning includes advance planning and design that may be required to transfer functions from an activity being closed to another military installation.

C. Outplacement Assistance in relocation, training, or other necessary assistance to civilian employees employed by the Department at installations being closed.

D. Community Programs include economic adjustment assistance to a community in which the closed base is located, or community planning assistance to the community to which functions shall be transferred as a result of closure of a military installation.

## 020604. Financing Non-BRAC Related Base Closure Costs

Paragraph 020603, above, specifies costs to be financed from a BRAC account. Other costs at an activity undergoing closure, or to be closed, shall not be financed by a BRAC account even though the closure was directed as a result of a determination of a BRAC. Those other costs shall be financed either by the DWCF (initially) or by an operations and maintenance appropriation as follows:

A. The following shall be financed by the DWCF (initially) to the extent permitted by amounts available from existing and new customer orders:

1. Current year costs in support of customer orders.
2. Prior year, current year, or budget year operating losses.
3. Increases in overhead even though those increases could be attributed to decisions to close bases.

B. The following shall be financed through a transfer from the Operation & Maintenance (O&M) appropriation of the DoD Component responsible for the activity incurring the following costs and loss.

1. All costs at a closing activity in the year of closure that are not associated with a valid work order or are as a result of other than a determination of a BRAC that the activity be closed.
2. Direct and indirect (including General and Administrative) operating costs for which there are not sufficient resources in existing customer orders or other resources of the closing activity.
3. Current year and prior year losses (to the extent not financed from existing and new customer orders as stated in paragraph 020604.A.2, above) shall be financed as a pass through from the O&M appropriation of the DoD Component responsible for the activity incurring the loss.

## 020605. Procedures for Requesting DoD Base Closure Account Funds

To request an allocation of DoD base closure account funds, an activity that has been selected for closure by a DoD BRAC determination shall request guidance from the OUSD(C), ODC(P/B), Directorate for Military Construction.

## 020606. Allocation of DoD Base Closure Account Funds

The Directorate for Military Construction, ODC(P/B) shall, upon approval by the Office of Management and Budget of an [Apportionment and Reapportionment Schedule \(SF 132\)](#) for the base closure account, provide a Fund Authorization Document to the Director for Budget and

Finance, Washington Headquarters Services (WHS) to fund the Financial Plan as approved. The Director for Budget and Finance, WHS, shall, in accordance with direction received from the Directorate for Military Construction, allocate DoD base closure funds to the Military Departments or Defense Agencies. Upon receipt of the allocation from the WHS, the Military Departments or Defense Agencies shall distribute the base closure funds to the installations responsible for base closure actions. Upon receipt of the fund distribution, the installation shall record the allotment from the DoD base closure account. [Budgetary accounting entries](#) to distribute direct funds to an installation-level is illustrated in the [USSGL Standard Financial Information Structure \(SFIS\) Transaction Library](#).

020607. Use of DoD Base Closure Account Funds

An activity shall implement base closure and realignment actions and administer its allocation of base closure funds in accordance with the approved financial plan. The prior approval of the Directorate of Military Construction, (ODC(P/B)), is required if a project that does not appear on the approved financial plan is to be executed. The general ledger entries for the recording the accounting transactions on the use of direct funds are illustrated in Chapter 3, paragraph 0302, of this volume.

020608. Base Closure Account Reporting Requirements

An installation receiving an allotment of DoD base closure account funds shall prepare a report on the status of its allotment. The status report shall be transmitted to the entity from which the allotment was received in accordance with the reporting due dates required by that entity.

020609. Disposition of PP&E Assets

A. The loss (or gain) from the sale, lease, or other disposal of PP&E assets shall be recorded by the activity having financial custody of those assets. The sale, lease, or other disposal action shall only be recorded in proprietary accounts of that installation. Any proceeds generated from the sale, lease, or other disposal of PP&E assets does not add to, or otherwise affect, the budgetary accounts of that activity.

B. Proceeds resulting from the transfer or disposal of PP&E (including buildings and structures) due to a base closure directed by a BRAC shall be deposited as reimbursements into the DoD base closure account. Proceeds resulting from transfer or disposal of PP&E (including buildings and structures) due to a base closure directed by other than a BRAC shall be deposited as reimbursements into the appropriate miscellaneous receipt Treasury account. Examples of transactions involving proceeds resulting from the transfer or disposal of PP&E include funds derived from temporary leases of government property and property upon which settlement has occurred and title has been passed to the new owners. "Good faith" deposits or earnest funds should be deposited to the Budget Clearing Account (Suspense), F3875, until finalization of the sale (settlement) takes place. Upon finalization of the sale (settlement), deposits made to the Budget Clearing Account (Suspense) shall be transferred to the appropriate Treasury miscellaneous receipt account as indicated above. [Per Treasury](#)

regulation [TFM Bulletin 2011-06](#), the suspense account F3875 is to temporarily hold unidentifiable collections.

C. A copy of deposit documents, or other notification, shall be provided to the Defense Finance and Accounting Service for all deposits made to a base closure account. The deposit document or other notification shall identify the specific base closure account to which the deposit was made.

020610. Withdrawal of Direct Appropriations or Reappropriations

The withdrawal of a direct appropriation or reappropriation is recorded at the departmental-level. The withdrawal of the allocation, if any, of an appropriation or reappropriation issued to the intermediate or activity-level is recorded as a decrease at the intermediate and activity-level and as an increase at the departmental-level as appropriate. [The USSGL Standard Financial Information Structure \(SFIS\) Transaction Library](#) is the source for the typical budgetary and proprietary accounting entries applicable to receipt, allocation and withdrawal of appropriations.

020611. Cumulative Results of Operations

A DWCF activity that is undergoing closure should request reimbursement for its recoverable costs, as specified in paragraph 020604: (1) customer accounts for costs attributable to normal day-to-day operations, (2) the account financing the closure for costs attributable to closure activity, and (3) transfer from the O&M appropriation of the DoD Component responsible for the activity for costs in the year of closure, including prior year losses, that are not associated with a valid work order or are as a result of other than a determination of a BRAC that the activity be closed. All reimbursements and costs (including extraordinary gains and losses) flow to Account 3310, "Cumulative Results of Operations (Normal)." Upon completion of all operations and all closure activity, Account 3310 of the closed activity shall have either a positive or a negative balance. If any portion of the balance in general ledger Account 3310 (Normal) is deferred for recovery from, or return to, customers in the subsequent fiscal year stabilized rate or standard price development, that deferred amount shall be transferred to general ledger Account 3310 (Deferred). Entries to general ledger Account 3310 (Deferred) shall not be made unless the decision to recover or return such amounts from cumulative results of operation was authorized by the OUSD(C), ODC/(P/B), Directorate for Revolving Funds. Additional information relating to cumulative result of operations may be found in Volume 4, Chapter 15.

020612. Residual Assets

Any financial assets (e.g., cash, receivables, and unobligated authority) that remain after the above actions shall remain in the DWCF and are available to meet the overall requirements of the DWCF or other obligational authority requirements as may be authorized. All remaining residual asset account balances shall be reviewed and validated to determine appropriate actions to be taken. The residual balances shall be reduced to zero within one year from the date an activity ceases operations. These actions shall be documented in writing and provided to the appropriate management command for action.

## 020613. Residual Liabilities

Any financial liabilities (e.g., payables and obligated authority) that remain after the above actions shall remain in the DWCF. All remaining residual liability account balances shall be reviewed and validated to determine appropriate actions to be taken. The residual balances shall be reduced to zero within one year from the date an activity ceases operations. These actions shall be documented in writing and provided to the appropriate management command for action.