

**VOLUME 12, CHAPTER 13 ANNEX 2: “ARMY DEFENSE WORKING CAPITAL  
FUND BASE CLOSURE AND REDUCTION IN FORCE ACTIONS”**

**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**.

There are no previous versions of this Annex archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
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ANNEX 2

**ARMY ANNEX ARMY DEFENSE WORKING CAPITAL FUND BASE CLOSURE AND  
REDUCTION IN FORCE ACTIONS**

A. SPECIAL CONSIDERATIONS FOR DWCF BASE CLOSURE AND REDUCTION IN FORCE (RIF) ACTIONS

1. Applicability

The policies in this section apply to the inactivation and/or decapitalization of Defense Working Capital Fund (DWCF) activities. Major unresolved problems shall be referred through the Major Army Command (MACOM) and U.S. Army Finance Command (USAFINCOM) to the DFAS Indianapolis, ATTN: DFAS/AHCB/IS, 8899 East 56th Street, Indianapolis, IN 46249-2130.

2. Reimbursable Expenses

Expenses resulting from base closure, decapitalization, and reduction actions from appropriated funds shall be reimbursed to the DWCF.

3. Closeout and Disposition Procedures

After notification of the approval from the Under Secretary of Defense (Comptroller) (USD(C)) to inactivate assets and liabilities, the following procedures shall be used for closeout and disposition:

a. Establishment of Completion Date. Establish a date for completion of work and services. This date shall precede the previously announced closing date by sufficient time to permit an orderly liquidation of the activity's accounts.

b. Notification of Closing Date. Notify promptly all customers, creditors, and other interested parties of the closing date.

c. Status of Orders. Advise customers of the status of the orders to be completed before closing and the estimated total cost. Also identify those orders that shall not be completed.

d. Close-out Procedures. Ship incomplete work as directed, bill customers, collect accounts receivable, and reduce work-in-process to zero before the closing date.

4. Overhead and Accelerated Labor Rates

Overhead and accelerated labor shall be applied to individual jobs or services at the fixed rate established on receipt of the base closure notification. Derive the fixed rates from the overhead rates in effect at the time of the base closure notification. Consider any increase in actual overhead or any increase over normal sick leave usage from the effect of the base closure as costs incidental to the closure. Fund that portion identified as an increase to these costs from

the operating appropriations of the managing Department of the Army (DA) component. Do not revise fixed-price agreements to include base closure costs. Attribute overruns and fixed-price variances occurring after notification to the decline in direct man-hour productivity. Finance with the operating appropriation of the managing DA activity.

5.      Workload Analysis

Make a detailed analysis of diminishing workload in relation to overhead expenses made to ensure that all costs are properly charged to customers. Freeze overhead rates and apply to customers' orders. When warranted, adjust for unforeseen and unprogrammed expenses. Do not change these rates without DFAS/AHCB/IS approval.

6.      Use of Local Funding for Base Closures

Do not change expenses arising from decisions to close bases or reduce activity to DWCF customers' orders. Reimburse these costs from the operating appropriation of the DWCF command responsible for management control of the activity. The command responsible for management control of the closing activity shall ensure adequate and timely funding of the base closure costs. A limited amount of costs may be incurred under locally established orders. Do not perpetuate this temporary device.

7.      Source of Funding for Plant Pending Disposition of Facilities and Equipment

Charge costs of plant closing, layaway, and custody to operating appropriations. Examples of these costs are equipment layaway, preservation, and operation and maintenance expenses of facilities and equipment held in standby or pending disposition.

8.      Redistribution of Residual DWCF Inventories

Redistribution of residual DWCF inventories (Packing, Crating, Handling, and Transportation (PCHT)) is a base closure cost. Redistribute other inventories, although physically located under custody of the DWCF activity, separately from appropriations available for supply support operations. This includes DWCF supply management (SMA) materiel. Fund PCHT costs incurred in the transfer of any equipment to nonArmy activities with funds provided by the recipient.

9.      Travel and Transportation Expenses for Employees Involuntarily Separated

Charge travel and transportation expenses of employees scheduled for involuntary separation to the operating appropriation.

10.     Phase Down Expenses

Charge other phase down expenses to the appropriation specifically designated by the managing command. These expenses include, but are not limited to, the following:

- a. Facility Turnover to GSA. Preparation of facilities for turnover to the General Services Administration (GSA).
- b. Travel and transportation of employees placed with other DA activities before separation.
- c. Nonproductive time of employees.
- d. Retraining programs.
- e. Personnel placement teams.

11. Transfer of General-Purpose Equipment and Other Nonproduction Equipment

Charge costs incurred in transferring general-purpose equipment and other nonproduction equipment from use to storage within another DWCF activity to the operating appropriation. This includes PCHT costs. The DFAS/AHCB/IS shall designate the specific project account to be used with the formal announcement of installation inactivation or activity reduction.

12. Command Channel Funding

Funds shall be issued through command channels for expenses incurred for plant closing, layaway, custody, and property disposal operations, based on requirements submitted by the DWCF facility.

13. Fund Citations

The DWCF facility shall request and obtain citations of funds directly from nonArmy activities claiming equipment or accepting employees as a result of inactivation or reduction actions.

14. Temporary Duty Funds

The DWCF facility shall receive funds through command channels for transportation and temporary duty (TDY) travel of DWCF employees in functional transfers.

15. Payroll Costs of Nonmission Essential Employees

Identify separately the payroll costs of nonmission essential employees in the activities accounts until such employees are transferred or terminated. Nonmission essential employees are those employees who are no longer required to support the mission of the installation and who are kept on the payroll pending a job offer or for retraining. For this purpose, payroll costs include:

- a. Sick Leave Payments. All sick leave payments made after date of closure to former employees whose final release is delayed pending disability retirement

b.     Base Pay, Retirement and Disability Funds. Base pay plus the federal government's share of retirement and disability funds

c.     Federal Insurance Contributions Act (FICA).

d.     Federal Employees Health Benefit Programs (FEHBP).

e.     Federal Employees Group Life Insurance (FEGLI).

f.     Medicare.

16.    Accrued Leave Liability

Identify separately the accrued annual leave liability for such personnel in the accounting records at the time the nonmission essential status.

17.    Reimbursable Payroll Costs for Nonproductive Employees

Reimburse payroll costs identified to nonproductive employees from the operating appropriation of the supervisory command. These payroll costs are less annual leave taken, and are charged to the separately identified accrued annual leave liability accounts. Upon exhausting the separately identified accrued annual leave by specific employee, reimburse total payroll costs to the DWCF from the operating appropriation.

18.    Severance Pay

The DWCF shall pay severance pay to employees involuntarily separated from federal government service (RIF action). If the severance pay is initially accrued and paid by DWCF, then transfer the pay costs to the activity's accounts provided. Reimburse the DWCF from the operating appropriation.

19.    Leave Liabilities

When transferring nonproductive personnel from one DWCF activity to another, the leave liability and the resources to liquidate the liability shall also transfer. If the employees' total earned leave exceeds the separately identified leave balance, then the receiving activity shall absorb the difference.

20.    Annual Leave Liability

When transferring nonproductive personnel from a DWCF activity to a nonDWCF DoD activity, the losing activity shall account for the balance of the annual leave liability.

21.    "Get Well Situations"

In no instance may base realignment and closure funds be used for "get well" projects unrelated to closure or realignment.