VOLUME 14, CHAPTER 1: “ADMINISTRATIVE CONTROL OF FUNDS”

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.

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<thead>
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<th>PARAGRAPH</th>
<th>EXPLANATION OF CHANGE/REVISION</th>
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<tr>
<td>Title</td>
<td>Changed title of chapter from “Administrative Control of Appropriations” to “Administrative Control of Funds”.</td>
<td>Update</td>
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<tr>
<td>Various</td>
<td>Added hyperlinks to authoritative sources.</td>
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<td>0101</td>
<td>Deleted reference to Volume 14, Appendix A and incorporated Appendix A into this chapter.</td>
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<td>010102</td>
<td>Deleted reference to DoD Directive 7200.1, “Administrative Control of Appropriations”, which was canceled on May 3, 2006.</td>
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<tr>
<td>0102</td>
<td>Changed title of section from “Policy” to “Policy and Procedures”.</td>
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<tr>
<td>010205.L</td>
<td>Updated reference to the managers’ control program. DoD Instruction 5010.40, “Managers’ Internal Control (MIC) Program Procedures” was established on January 4, 2006 and DoD Directive 5010.38, “Management Control Program” was canceled on April 3, 2006.</td>
<td>Update</td>
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<tr>
<td>010206.B.6</td>
<td>Added preparation procedures for a Standard Form 1151.</td>
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<tr>
<td>010206.D.3</td>
<td>Clarified the role of officials responsible for reimbursable authority.</td>
<td>Update</td>
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<tr>
<td>010208.D.2</td>
<td>Added Foreign Military Sales exception as noted in paragraph 010206.D.5.a.</td>
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<td>010210</td>
<td>Clarified those responsible for financial management systems.</td>
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<td>010211</td>
<td>This paragraph was 0102010 of previous version.</td>
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<td>010211.A.1</td>
<td>Incorporated policy from the Office of the Under Secretary of Defense (Comptroller) memorandum of September 5, 2008, titled “Antideficiency Act (ADA) Policy and Metrics”</td>
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<tr>
<td>Appendix A</td>
<td>Deleted Appendix A and incorporated procedures for the administrative control of funds into this chapter.</td>
<td>Delete</td>
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CHAPTER 1

ADMINISTRATIVE CONTROL OF FUNDS

0101 PURPOSE

This chapter establishes policy and procedures for the administrative control of funds as prescribed in and required by section 1514(a) of Title 31, United States Code. Procedures and details for controlling available funds are also contained in this chapter. The Department of Defense (DoD) Components are required to establish and maintain effective controls over appropriations and other funds in accordance with this chapter.

010101. Definitions

Definitions of terms used in this volume are contained in the Glossary.

010102. Provisions

The provisions of this volume take precedence over any conflicting guidance in other volumes of this Regulation or other DoD regulations, manuals, instructions, or directives.

0102 POLICY AND PROCEDURES

010201. Defense-wide Appropriations

Unless otherwise specified, for purposes of this volume, the Office of the Under Secretary of Defense (Comptroller) (Program/Budget) is considered a “DoD Component” for matters involving Defense-wide (Treasury Symbol “97”) appropriations.

010202. Administrative Control Systems

DoD Components must:

A. Design systems for the administrative control of funds so that formal administrative subdivisions of funds are placed at the highest practical organizational level consistent with effective and efficient management.

B. Restrict the use of limitations on available funds to those necessary to comply with statutory provisions, such as those imposed by the appropriate DoD Authorization or DoD Appropriations Act, or to address specific management requirements.
010203. Reporting Requirements for Administrative Control Systems

DoD Components must establish a reporting system for the administrative control of funds process to provide data for reviewing the efficiency (e.g., obligation rate) with which funds are used. Reporting requirements must be established separately from a formal administrative subdivision of funds limitation when a need exists for accumulating data below the allotment level.

010204. Delegations of Authority

All delegations or redelegations of authority or functions under this chapter must be made in writing. No delegation or redelegation of authority or functions shall be exercised in any manner that limits the capabilities of the Secretaries of the Military Departments, the Directors of the Defense Agencies, or designated officials of the Office of the Secretary of Defense to exercise the control necessary to discharge properly their responsibilities under this volume.

010205. Statutory Limitations and Duties of DoD Officials

No DoD official must authorize or create any obligation or make any expenditure beyond the amount permitted under any statutory limitation that modifies or restricts the availability of funds. Special or recurring statutory limitations on DoD funds are frequently imposed by the DoD Authorization or Appropriations Acts, or may be imposed by other legislation. Specifically, DoD officials, including commanders and supervisors to whom funds are entrusted or apportionments or formal administrative subdivisions of funds are issued, must:

A. Limit any further subdivision of funds to the amount provided and currently available.

B. Limit the obligation and expenditure of funds provided to the amount currently available at the time of the obligation or expenditure, enforce those limitations, and ensure that all personnel involved in administrative control and use of available funds are knowledgeable of such limitations.

C. Limit the obligation and expenditure of funds provided to the purposes authorized by type of fund or account.

D. Ensure that the obligation and expenditure of funds provide for a bona fide need of the period of availability of the fund or account.

E. Preclude acceptance and use of voluntary services, gifts, and donations except in accordance with specified provisions of law.

F. Ensure that all personnel, including the actual fund users, contracting personnel, and other personnel involved in administrative control and use of available funds, are fully aware of, and comply with, the requirements of the Antideficiency Act (ADA) as described in Chapter 2 and other applicable guidance.
G. Ensure that decisions on the obligation of funds comply with the provisions of the ADA by careful review and examination of the facts involved in advance of the decision.

H. Rigorously enforce compliance with all the provisions of the ADA and other specific laws that limit the obligation and expenditure of funds.

I. Maintain internal control systems to ensure that:

1. All available funds are identified, controlled, and recorded in the official accounting records from the time received until subdivided to others or obligated and expended.

2. All available funds are identified with authorized purposes by account, period of availability for new obligations, and for the period of availability for expenditure.

3. All special and recurring provisions and limitations on the obligation and expenditure of funds are identified and documented for all available funds and accounts.

4. All proposed obligations of funds are reviewed to ensure that sufficient funds are available to cover the obligation, the purpose of the obligation is consistent with the authorized purposes of the fund or account, and the obligation does not violate any special or recurring provisions and limitations on the incurrence of obligations.

J. Issue and maintain appropriate delegations of authority.

K. Ensure that amounts reported to the Department of the Treasury are accurate, that is, recorded accurately and posted to the correct appropriation account.

L. Ensure that general and specific internal controls are in place and operating as required by DoD Instruction 5010.40, “Managers’ Internal Control (MIC) Program Procedures”.

M. Ensure that appropriate training programs are in place to provide personnel with the knowledge, skills, and abilities to perform the duties specified above. See Chapter 2, paragraph 020401 for training requirements.

010206. Apportionments, Allocations, Allotments, and Reimbursable Orders

The administrative control of appropriations process includes apportionments, allocations, allotments, and reimbursable orders.
A. Apportionments

1. When DoD appropriations or other funds are required to be apportioned under law by the Office and Management and Budget (OMB) to a DoD Component, a request for the apportionment or reapportionment must be prepared and submitted through the Under Secretary of Defense (Comptroller) to the Director of OMB. A request for an apportionment must be in such form and at such time as the Under Secretary of Defense (Comptroller) may prescribe to conform to the requirements of the Director of OMB. See Volume 3, Chapter 2 for the preparation of apportionment or reapportionment schedules and Volume 3, Chapter 13, paragraph 130203 for the accounting of DoD apportionments and reapportionments.

2. Obligations during any apportionment period must not exceed the amount of the apportionment available for that period or of any administrative subdivisions of the apportionment.

B. Allocations

1. The Under Secretary of Defense (Comptroller) or designee, must make allocations of apportioned amounts, in writing, to the heads of DoD Components. The Secretary of a Military Department, or designee, shall make further allocations of apportioned amounts, in writing, to the heads of operating agencies. See Volume 3, Chapter 13, paragraph 130207 and Volume 3, Chapter 14, paragraph 140201 for the accounting of DoD allocations.

   a. The original signed document or an authenticated copy bearing a signature or an electronic equivalent of a signature must be forwarded to the recipient of the allocation. This does not preclude the use of an automated system to communicate and record fund subdivisions as long as a confirmation copy bearing an authenticated signature or an electronic equivalent of a signature is available to the recipient via the automated system.

   b. Amounts allocated may be suballocated to major subordinate operating commands.

2. Allocations must not exceed the amount available for use for each apportionment period.

3. The use of an electronically reproduced equivalent of an original signature is considered an acceptable implementation of the requirement for a document containing an authenticated signature. However, in accomplishing electronic transmission of fund authorizations through linked computer systems, internal controls for electronically transmitted allocations and suballocations must have the following minimum characteristics:

   a. Fund control systems must provide validation of fund authorities by use of access codes and lockout techniques.
b. One set of access codes must be used to issue fund authorizations.

c. Other controlled access codes must be used to process a signature section of fund control documents for transmission to funded activities.

d. The authentication, signature element, and symbol must be included as part of electronically-produced funding documents.

4. Anticipated transfers or other items of anticipated receipts may be allocated only when realized.

5. Allocations, suballocations, or portions of an allocation, that are not required to be subdivided further may be treated and recorded as allotments.

6. DoD Components must not authorize or incur an obligation, or make a disbursement against anticipated transfer authorizations until received. Such actions must be delayed until the completed _Standard Form (SF) 1151_, “Nonexpenditure Transfer Authorization”, is received and the resources realized. An SF 1151 is prepared using a Nonexpenditure (NET) request through the Governmentwide Accounting (GWA) system. See the Treasury Financial Manual _TFM Volume 1, Part 2, Chapter 2000_ for information and guidance on using the GWA system NET application.

7. DoD Components must not authorize or incur an obligation or make a disbursement against anticipated reimbursements. Such actions must be delayed until the applicable customer order is received from Federal Government activities and funds are collected from public activities. See Volume 11A for further reimbursable policy and procedures.

C. Allotments

1. The recipients of allocations and suballocations, or their designees, must make allotments in specific amounts to the heads of installations or organizational units of DoD Components, as required. The total of the amounts allotted must not exceed the amount of the allocation available for each period. See Volume 3, Chapter 14, paragraph 140202 and Volume 3, Chapter 15, paragraph 150201 for the accounting of DoD allotments.

2. The recipients of allotments may make suballotments to the heads of other organizational units, including those of other DoD Components, as required. The total of the amounts suballotted must not exceed the amount of the allotment available for use for each period.

3. Allotments and suballotments must be made in writing and the recipient’s copy must either be signed by the fund-issuing authority or be an authenticated copy bearing an authorized authenticated signature or an electronic equivalent of a signature. The document must contain at least the following basic information:
a. Name or title of the allottee.

b. Amount of the allotment and the period of availability.

c. Legal restrictions or limitations on the obligation and disbursement of the allotted funds.

d. The amount of anticipated reimbursements, specified to the organizational level responsible for receiving the reimbursable orders.

4. In emergency circumstances, it may not be possible to provide a formal allotment or suballotment document before incurring obligations. Under such emergency conditions, it may be necessary to use expedited means of communication pending formal confirmation.

   a. A telephone or other electronic means may be used to make arrangements to indicate that funds will be provided. However, the official allocation or allotment of funds does not occur until the substantiating documentation of the issuance of funds has been transmitted by the issuer and received by the recipient.

   b. In such cases, both the issuer and recipient must document the funding transaction showing action taken, the date, amount involved, authorizing official, and method of communication. The issuer must immediately provide a copy of the documentation to the recipient and request acknowledgment of receipt. The recipient must provide confirmation of receipt and acceptance to the issuer. The issuer must sign the same documentation and return the document containing both signatures. The official funds issuance does not occur until this final double-signed document has been received by the recipient of the funds.

   c. The recipient is not authorized to issue funds to others or authorized to incur obligations with the funds received until after receipt of the double-signed document.

5. The head of an operating agency, which has specific written approval of the head of a DoD Component, may establish centrally-managed allotments. These allotments must be established only when it is impractical to administer decentralized allotments under normal operating procedures. Before approval, a specific written determination must be made that adequate controls have been established to avoid overobligating or overexpending such an allotment.

   a. The amount of the centrally-managed allotment must be within the amount and terms of the allocation.

   b. Requests for the establishment of a centrally-managed allotment must justify fully the need, delineate possible alternatives, and demonstrate clearly why the centrally-managed allotment method is the only practical administrative procedure.
c. The official who establishes or continues the use of a centrally-managed allotment must be held responsible, to the extent prescribed by law, directive, and regulation, for ensuring that obligations are not incurred, or expenditures made, beyond the amount available under each centrally-managed allotment.

d. The establishing or continuing official is responsible for the administration of each centrally-managed allotment and must prescribe an adequate system of financial and nonfinancial control. The system must:

(1) Designate the name or position of specific individuals authorized to incur obligations or make expenditures against each centrally-managed allotment.

(2) Establish suitable limitations on the numbers, quantities or volume for which obligations may be incurred or expenditures made.

(3) Provide for accounting and reporting at least monthly.

(4) Ensure timely notice to prevent the centrally-managed allotment from being overobligated or overexpended by taking necessary management action, which may include (a) increasing the amount of the centrally-managed allotment; (b) terminating the centrally-managed allotment; (c) terminating new obligations or disbursements; and/or (d) taking other necessary management actions to prevent an overobligation or overexpenditure.

e. Each centrally-managed allotment must be reviewed annually to determine whether its operation should be continued. This determination must be made by the head of the DoD Component concerned, or designee. The annual review must include an evaluation, by an internal audit group, of the adequacy of control procedures established to prevent violations of section 1341(a)(1) of Title 31, United States Code (U.S.C.), section 1517(a) of Title 31, U.S.C., or both, and a recommendation whether continuation of the centrally-managed allotment is justified.

D. Reimbursable Orders

1. DoD organizations may be authorized by law to accept reimbursable orders for services provided or goods sold to other Federal Government-funded customers and authorized private parties.

2. Apportioned reimbursements must not be allotted unless there is reasonable assurance that orders will be received. Even though apportioned and allotted, these estimates must not be considered budgetary resources available for obligation unless the following two conditions are met:
a. Valid orders, including written agreements, have been received from and obligated by Federal Government-funded customers.

b. Advance payment has been collected, in the case of orders from the public.

3. Officials responsible for incurring obligations and making expenditures must be particularly cognizant of reimbursable authority received. Controls must be carefully followed to avoid obligating or expending in excess of the amount of appropriated funds available, plus the amount of reimbursements that ultimately will be earned and collected.

4. Under certain circumstances, and only with the prior written approval of the OMB, immediate and automatic apportionment of the amounts of reimbursable orders received and accepted may be authorized. See Volume 3, Chapter 2, section 0206 for details.

5. Reimbursable orders received from state or local governments, recognized international bodies such as the United Nations and North Atlantic Treaty Organization, foreign governments, corporations, or individuals are subject to special controls.

a. These orders, except Foreign Military Sales (FMS) orders, shall be recognized as reimbursable orders received only to the extent that cash has been received and deposited with the Treasury. Contract authority may be recognized for FMS orders based upon a dependable undertaking when cash advances are not provided for the full amount of the order from a foreign government or international body. Bills are then presented for payment from the account established in the FMS Trust Fund for the applicable country.

b. FMS disbursement controls shall be established to ensure that disbursements are not made until the cash is actually received from the foreign country and deposited in the Treasury FMS Trust Fund. Expenditure authorizations are used to ensure that funds are available in the account for the country involved before disbursements are made.

6. Reimbursable orders that are financed by appropriated or revolving funds of Federal agencies provide expenditure as well as obligational authority.

7. Officials responsible for incurring obligations and making expenditures shall be particularly cognizant of reimbursable authority received. Controls shall be established to avoid obligating or expending in excess of the amount of appropriated funds available, plus the amount of reimbursements that ultimately will be earned and collected.

E. Reconciliations. DoD managers at all levels must ensure that accounting records for receipt and use of budgetary resources are reconciled. Obvious accounting errors must be corrected immediately and negative account balances must be researched and reconciled promptly with appropriate source documents.
1. Transactions or adjustments must be recorded in accounting records only when supported by appropriate source documents or electronic equivalents. Managers must not permit identified errors to go uncorrected for extended periods of time, inaccurate transactions to be recorded or failures to record transactions in a timely manner. Due diligence is necessary in order to avoid the mistaken appearance of a potential ADA violation which occurred because of careless record keeping.

2. An ADA investigation must be initiated by the applicable DoD Component and reported to the Office of the Under Secretary of Defense (Comptroller) as required by Chapters 3 and 4 if a manager suspects that a potential ADA violation may have occurred. However, investigations of potential ADA violations should not be required merely to force correction of erroneous records.

010207. Obligations and Expenditures

Available funds are used by the incurrence of obligations and expenditures. An amount must be recorded as an obligation or expenditure when incurred as supported by documentary evidence of the occurrence of the event. An oral order or agreement must be formalized in writing or conform to prescribed electronic standards in order to provide proper support and an audit trail for an obligation. Oral orders executed in this manner without a formal commitment of funds run a strong risk of violating the ADA and should be avoided if at all possible. See Volume 3, Chapter 8 for determining the amount and accounting period in which commitments and obligations shall be recorded.

A. Once incurred, all obligations and expenditures must be recorded, accurately and promptly, as of the date incurred even if recordation results in a negative amount in the accounting records for an appropriation or fund, or a formal administrative subdivision of an appropriation. (For this purpose, negative amount means that obligations or disbursements exceed the amount of funds that are appropriated or otherwise available.) A violation resulting from a negative amount is caused by the actions of the individual(s) who caused or created the obligation. The recording of the obligation in the accounting system merely records an obligation that already exists.

B. Adjustments in obligations may consist of recording changes to obligation amounts that existed in a prior period that may or may not have been identified and recorded during that period. If an adjustment causes total obligations for a prior period, after consideration of all known valid obligations and deobligations, to exceed the amount that was available for obligation for that prior period, violations of section 1341(a)(1) of Title 31, U.S.C., section 1517(a) of Title 31, U.S.C., or both, may have occurred.

C. A within-scope contract adjustment is properly chargeable to the funds that funded the original contract. Such adjustment must be charged to those funds even if sufficient funds are not available. If sufficient funds are not available, a potential violation may have occurred.
D. An increase-in-scope adjustment to a contract is properly chargeable to funds currently available at the time the change was made.

010208. Administrative Control of Revolving Funds

A. General. Obligations and expenditures of a revolving fund, whether subject to, or exempt from, apportionment, must be controlled under applicable provisions of this chapter.

B. Cash Balances. The disbursement of amounts in excess of the Department of the Treasury cash balance of a revolving fund is a potential ADA violation. Additionally, the disbursement of amounts in excess of the balance of sub-numbered cash accounts or other subdivisions of cash within a revolving fund, when such sub-numbered accounts or subdivisions have been specifically designated as being subject to the provisions of the ADA, is a potential ADA violation.

C. Apportionment. A revolving fund may be subject to apportionment or it may be exempt from apportionment, depending upon the type of fund.

1. Revolving Funds Subject to Apportionment. An apportionment limits the obligations that may be incurred to the apportioned amount. The incurring of obligations in excess of apportioned budgetary resources is a potential ADA violation without regard to whether a revolving fund has additional unapportioned budgetary resources or other assets equal to or greater than the amount of the deficiency.

2. Revolving Funds Exempt from Apportionment. A revolving fund that is exempt from apportionment may not incur obligations in excess of available budgetary resources. The incurring of obligations in excess of available budgetary resources is a potential ADA violation.

D. Budgetary Resources. The incurring of obligations in excess of budgetary resources is a potential ADA violation. The concept of “budgetary resources” is defined and explained in OMB Circular A-11, “Preparation, Submission, and Execution of the Budget”. Budgetary resources available to revolving funds are composed of the same elements as budgetary resources available to appropriated funds. Further, while budgetary resources available for obligation for reimbursable work differ depending upon whether a reimbursable order is accepted from a Federal Government account or from the public, such budgetary resources are determined in the same manner for a revolving fund as they are for an appropriated fund.

1. Orders from other Federal Government Agencies. Funded orders from other Federal Government agencies, that represent valid obligations of the ordering account, provide a budgetary resource without regard to whether they are accompanied by an advance payment.
2. Orders from the Public. Orders from the public (except FMS orders) including local and State governments and international organizations (e.g., United Nations), provide a budgetary resource only to the extent accompanied by an advance payment of cash that is received and credited to the account.

E. Organizational Level for Revolving Fund Potential Violations. Systems for the administrative control of revolving funds should be placed at each organizational level at which budgetary resources may be received, held, transferred, obligated, or expended. The lowest organizational level for administrative control purposes generally should be the level, frequently a single site, at which an obligation may be incurred or expenditure approved. In the case of a revolving fund account that encompasses operations at multiple sites, responsibility for potential ADA violations generally should not be assigned to an organizational level lower than the level at which the administrative control system is adequate to prevent and detect a potential violation of the ADA.

010209. Records

A. The Defense Finance and Accounting Service (DFAS), working with other DoD Components, must ensure that accounting records are maintained that provide full disclosure and support of the financial operations and resource utilization applicable at each successive organizational level. The accounting records must show the amounts of funds received at each organizational level, funds issued to others, current available balances, and funds committed, obligated, and expended.

B. These fund control records must constitute an integral part of the official accounting records maintained for each successive organization level for the DoD Component. Financial reports reflecting funds received, issued, available, and utilized must be prepared from the official accounting records.

C. DoD Components must maintain key records and documents on appropriations, allocations, and budgetary data for the funds for which they are responsible.

D. DoD Components must retain, for 6 years, 3 months, workpapers and documentary evidence developed and/or obtained during an investigation of an actual or potential ADA violation.

*010210. Financial Management Systems

In addition to effective and efficient administrative funds control systems established by the DoD Components, the DFAS and/or DoD Component must be responsible for establishing accounting and finance systems. The accounting and finance systems must be established for reporting commitments and obligations by the DFAS and/or DoD Component. Section 3512 of Title 31, U.S.C. contains the following requirements for those systems:
A. Federal Agencies must maintain systems of accounting and internal controls that ensure (a) complete disclosure; (b) adequate financial information; (c) effective internal control over, and accountability for, assets; (d) obligations and costs comply with applicable laws; and (e) revenues and expenditures or expenses applicable to DoD operations are properly accounted for, so that accounts and reliable financial and statistical reports are prepared and accountability of assets are maintained.

B. Specifically, financial management systems must be:

1. Designed to assist responsible officials in restricting authorization or incurrence of obligations to the amount of, and for the authorized purposes for which the obligational authority is available.
2. Capable of providing timely disclosure of the authorization or creation of an obligation and the disbursement of funds in excess of amounts available in both unexpired and expired accounts.

010211. Annual Report of Evaluation

Each DoD Component must annually conduct an evaluation of its overall administrative funds control processes as well as the processing of ADA violations.

A. The evaluation must address actions taken in the following areas to:

* 1. Improve the effectiveness of, and compliance with, internal controls over appropriations and funds in the Component. The annual report of evaluation must include a status report with the number of key fund control personnel identified and trained as prescribed in Chapter 2, subparagraph 020401.B.

2. Improve compliance with the ADA.

3. Improve the timeliness of processing violations, including time spent on legal reviews.

4. Ensure the quality and independence of the investigators of potential violations.

5. Impose appropriate disciplinary action for all individuals determined to be responsible for a violation.

6. Identify lessons learned from the investigation of ADA violations, publicize the lessons learned, and implement appropriate corrective actions to preclude the reoccurrence of ADA violations.
B. The evaluation must (1) address actions taken in the prior fiscal year for each of the six areas discussed above and (2) be completed by December 31 of each calendar year. A copy of the results of the evaluation must be provided annually to the Office of the Under Secretary of Defense (Comptroller) by each January 31.

C. The Office of the Under Secretary of Defense (Comptroller) must review the evaluation reports and may request briefings or other actions as appropriate. In addition, DoD Components may be requested to evaluate areas of special interest.