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 asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by bold, italic, blue, and underlined font.

The previous version dated January 2009 is archived.

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<td>0101</td>
<td>Added a “General” section that incorporated the previous “Purpose” section and new “Overview” and “Authoritative Guidance” paragraphs.</td>
<td>Addition</td>
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<td>010206</td>
<td>Added definitions for apportionments, allotments, suballotments and allocations in accordance with OMB Circular A-11, Appendix H. Added specific documentation requirements for allotments. Moved Reimbursable Orders and Centrally-Managed Accounts information to a new paragraph 010207.</td>
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<td>010207</td>
<td>Added an “Other Fund Management” paragraph that incorporates Centrally-Managed Accounts, Reimbursable Orders, and Revolving Funds information as subparagraphs A, B, and C. Subparagraph A clarified the definition of and requirements for a centrally-managed account. Added definitions for reimbursable orders and revolving funds.</td>
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<td>010212</td>
<td>Revised the annual evaluation reporting requirements.</td>
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CHAPTER 1

ADMINISTRATIVE CONTROL OF FUNDS

*0101 GENERAL

010101. Overview

The Volume 14 prescribes the requirements for the administrative control of funds and the Antideficiency Act (ADA) for Department of Defense (DoD) Components. Chapter 1 defines the statutory restrictions and limitations governing the administrative control of funds. Failure to comply with these restrictions and limitations is a violation of the ADA. Chapter 2 explains the ADA and related statutes, causes of violations, and preventive action including training requirements. The additional chapters prescribe the requirements for DoD Components when a potential ADA violation is discovered, conducting an ADA investigation, reporting ADA violations, and administering disciplinary action. The provisions of this volume take precedence over any conflicting guidance in other volumes or DoD regulations, manuals, instructions, or directives.

010102. Purpose

This chapter establishes policy for the administrative control of funds and includes specific instruction for controlling available funds. The DoD Components are required to establish and maintain effective controls over appropriations and other funds in accordance with this chapter. All DoD organizations, appropriations, and funds are subject to the provisions contained herein.

010103. Authoritative Guidance

Administrative division of apportionments and control of funds is prescribed by Title 31, United States Code, section 1514(a) (31 U.S.C. § 1514(a)). The Office of Management and Budget (OMB) Circular No. A-11 prescribes implementing requirements for the control of funds in Section 150 and Appendix H. Additional authorities:


B. 31 U.S.C. §§ 1101-1104, 1104-1108, and 3324 (part of the Budget and Accounting Act, 1921, as amended).


0102 POLICY

010201. Defense-wide Appropriations

Unless otherwise specified, for purposes of this volume, the Office of the Under Secretary of Defense, Deputy 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 allocation level.

010204. Delegations of Authority

All delegations or redelegations of authority or functions under this chapter must be made in writing. Delegation or redelegation of authority or function is prohibited if the delegation or redelegation 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 in accordance with this volume.
010205. Statutory Limitations and Duties of DoD Officials

DoD officials are prohibited from authorizing or creating any obligation or making 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 to whom funds are entrusted or apportionments or formal administrative subdivisions of funds are issued at any level 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 ADA as described in Chapter 2 and other applicable guidance. Potential ADA violation investigation and reporting requirements are also contained in this volume.

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. 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 internal controls are in place and operating as required by DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures.”

M. Ensure that appropriate training programs are in place to provide all personnel involved in administrative control and use of available funds with the knowledge of funds control and the skills and abilities to perform the duties specified in paragraph 010205. See Chapter 2 for training requirements.

*010206. Apportionments, Allotments, Suballotments and Allocations

The administrative control of funds process restricts obligations and expenditures (disbursements) to the amount available at the apportionment, allotment, suballotment and allocation levels. Apportionments, allotments, suballotments, allocations and other formal administrative subdivision of funds designated by a DoD Component are subject to the provisions of the ADA; therefore, obligations and disbursements of funds that exceed these limitations are violations of the ADA.

A. Apportionments. An apportionment is a distribution made by the Office of Management and Budget of amounts available for obligation in an appropriation or fund account into amounts available for specified time periods, program, activities, projects, objects, or any combination of these. The apportioned amount limits the obligations that may be incurred. An apportionment may be further subdivided by an agency into allotments, suballocations, and allocations.

1. When DoD appropriations or other funds are required to be apportioned under law by OMB to a DoD Component, a request for the apportionment or reapportionment must be prepared and submitted through the Under Secretary of Defense (Comptroller) (USD(C)) to the Director of OMB. A request for an apportionment must be in such form and at such time as the USD(C) 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. Apportionments may include estimates of anticipated budgetary resources; however, these approved anticipated resources may not be obligated until realized.

3. Apportionments that anticipate the need for a deficiency appropriation or a supplemental under 31 U.S.C. § 1515 will be specifically identified on the apportionment request. To qualify as a deficiency apportionment, the request must be required by:

   a. Laws enacted subsequent to the transmittal of the annual budget for the year to Congress;

   b. Emergencies involving human life, the protection of property, or the immediate welfare of individuals; or

   c. Specific authorization by law.

B. Allotments. An allotment is a subdivision of an apportionment that is made by the head of an agency (e.g., Secretary of Defense), or designee (e.g., USD(C)), to incur obligations within a prescribed amount. Formal distribution, i.e., subdivision of an allotment must contain at least the same statutory and other limitations applicable to the original allotment (e.g. suballotments/allocations to operating agencies or installation-level accounting activities).

1. The USD(C) must make allotments of apportioned amounts, in writing, to the heads of DoD Components. The Secretary of a Military Department, or designee, must make further allotments of apportioned amounts, in writing, to the heads of operating agencies.

   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 allotment. 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. At a minimum, this document must contain the following basic information:

      1. Amount available;

      2. Funding source;
3. Time period of availability;

4. Position and title of the responsible official and other agency limitations; and

5. Justification for changes in allotments.

c. A suballotment is a subdivision of an allotment. It is a formal distribution that must contain at least the same statutory and other limitations and requirements applicable to the original allotment. Amounts allotted may be suballotted to major subordinate operating commands.

2. Allotments/suballotments 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 allotted/suballotted/allocated only when realized.

5. Allocations are subdivisions of suballocations, or subdivisions of allotments that are not required to be suballotted (reference subparagraph 010206.C).
6. DoD Components must not authorize or incur an obligation, or make a disbursement against anticipated transfer authorizations until the transferred resources are realized. 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 Transfer (NET) request through the Governmentwide Accounting (GWA) System Agency Transaction Module (ATM) NET application. See the Treasury Financial Manual Volume 1, Part 2, Chapter 2000 for information and guidance on using the GWA System ATM 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 reimbursable policy.

C. Allocations. Allocations are subdivisions of suballocations or subdivisions of allotments that are not required to be suballotted.

1. The recipients of allotments or suballocations, or their designees, must make allocations in specific amounts to the heads of installations or organizational units of DoD Components, as required. The total of the amounts allocated must not exceed the amount of the allotment/suballocation available for each period.

2. A suballocation is a subdivision of an allocation. The recipients of allocations may make suballocations to the heads of other organizational units, including those of other DoD Components, as required. The total of the amounts suballocated must not exceed the amount of the allocation available for use for each period.

3. Allocations and suballocations 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. At a minimum, the document must contain the following basic information:

   a. Name or title of the allocation/suballocation recipient.

   b. Amount of the allocation/suballocation and the period of availability.

   c. Legal restrictions or limitations on the obligation and disbursement of the allocated/suballocated 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 allocation or suballocation 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 suballocation 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 (issuer and recipient) 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.

*010207. Other Fund Management

A. Centrally-Managed Account (CMA). The head of an operating agency that has specific written approval of the head of a DoD Component may establish CMAs. A CMA is a formal administrative subdivision of funds (allotment, suballotment, or allocation) that is managed at the highest practical level and allows officials at a lower echelon to incur obligations or charge expenditures to the CMA for authorized purposes without further determination or certification of fund availability for the individual transactions. Fund balances at the allotment/suballotment/allocation level are subject to the provisions of 31 U.S.C. § 1517(a)(1). Fund authorization documents forwarding budget authority to the CMA must include the following statement: “Authorizing or incurring obligations in excess of the cumulative allotment/suballotment/allocation amount, contained herein, is a reportable violation of 31 U.S.C. § 1517.”

1. These accounts must be established only when it is impractical to administer decentralized allotments/suballocations/allocations under normal operating procedures. The head of an operating agency, usually general officer or Senior Executive Service level, is responsible for establishing adequate controls to ensure CMA managers are expeditiously informed of obligations and expenditures at the lower echelon levels to prevent the CMA from becoming over-obligated/expended. Before approval, a specific written determination must be made that adequate controls have been established to avoid over-obligating/expending the CMA.
a. The amount of the CMA must be within the amount and terms of the allotment/suballotment/allocation.

b. Requests for the establishment of a CMA must fully justify the need, delineate possible alternatives, and clearly demonstrate why the CMA method is the only practical administrative procedure.

c. The official who establishes or continues the use of a CMA 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 CMA.

d. The establishing or continuing official is responsible for the administration of each CMA 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 CMA.

(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 CMA from being over-obligated/expended by taking necessary management action. This may include (a) increasing the amount of the CMA; (b) terminating the CMA; (c) terminating new obligations or disbursements; and/or (d) taking other necessary management actions to prevent an over-obligation/expenditure.

e. Each CMA 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 31 U.S.C. § 1341(a)(1), 31 U.S.C. § 1517(a), or both, and a recommendation to the head of the DoD Component concerned, or designee, whether continuation of the CMA is justified. DoD Components must provide certification as to the adequacy of controls of the CMA. This certification must be submitted with the annual evaluation required by paragraph 010212.

2. Components are required to maintain documentation supporting their assessment and produce it on request. At a minimum, Components must maintain records on the following:

a. Appropriation and dollar value of the CMA.

b. Rationale for establishing a CMA and why it is preferable to other methods of managing the appropriation.
c. Individuals primarily responsible for managing the CMA and ensuring fund controls are properly implemented.

d. Organizations authorized to make obligations against the CMA.

e. Fund controls in place to establish limits on the amount and type of obligations that may be charged to the CMA.

f. Monthly execution monitoring and procedures.

g. Date and method of testing of internal controls.

B. Reimbursable Orders. A reimbursable order is an order for services, supplies, material, or equipment placed by a requiring DoD Component (or Federal Agency) and furnished by another DoD Component (or Federal Agency) without separate identification of the items, or separate citation of the funds of the requiring DoD Component; and with subsequent delivery to and reimbursement by the requiring DoD Component. The requiring DoD Component records the reimbursable order as an obligation when the procuring DoD Component accepts the reimbursable order in writing. See Volume 3, Chapter 8 for recording standards.

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/suballotted/allocated unless there is reasonable assurance that orders will be received. Even though apportioned and allotted/suballotted/allocated, 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 established and 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.

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 are to be recognized as reimbursable orders
   received only to the extent that cash has been received and deposited with the Treasury. The
   exception is Foreign Military Sales (FMS) orders. 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 must 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.

C. Revolving Funds. A revolving fund is an account authorized by specific
provisions of law to finance a continuing cycle of business-type operations and to incur obligations
and expenditures that generate receipts.

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

2. 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 is a potential ADA violation when such sub-numbered accounts or subdivisions have been specifically designated as being subject to the provisions of the ADA.

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

   a. 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.
b. **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.

4. **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.

   a. **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.

   b. **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 that the order is accompanied by an advance payment of cash received and credited to the account.

5. **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.

010208. **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 high risk of violating the ADA and should be avoided if possible. See Volume 3, Chapter 8 to determine the amount and accounting period in which commitments and obligations must 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 to exceed the amount that was available for obligation for that prior period after consideration of all known valid obligations and deobligations, violations of 31 U.S.C. § 1341(a)(1), 31 U.S.C. § 1517(a), 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.

010209. 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.

A. 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 appearance of a potential ADA violation that occurred because of careless record keeping.

B. An ADA investigation must be initiated by the applicable DoD Component and reported to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) as required by this volume if a manager suspects that a potential ADA violation may have occurred. However, investigations of potential ADA violations are not required merely to force correction of erroneous records.
010210. 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, allotments/suballotments, allocations/suballocations, and budgetary data for the funds for which they are responsible.

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

010211. 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. Such systems of accounting and internal controls must comply with the requirements of 31 U.S.C. § 3512(b) and (c).

A. Federal agencies must maintain systems of accounting and internal controls that ensure:

1. Complete disclosure;
2. Adequate financial information;
3. Effective internal control over and accountability for assets;
4. Obligations and costs comply with applicable laws;
5. Revenues and expenditures or expenses applicable to DoD operations are accounted for properly so that accounts and reliable financial and statistical reports are prepared and accountability of assets is maintained;
6. Suitable integration of DoD accounting with the central accounting and reporting responsibilities of the Secretary of the Treasury under 31 U.S.C. § 3513; and

7. All assets are safeguarded against waste, loss, unauthorized use, and misappropriation.

B. Specifically, financial management systems must be:

1. Designed to assist responsible officials in restricting authorization or incurrence of obligations to the proper amount and authorized purpose for which 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 expired and unexpired accounts.

*010212. Annual Evaluation

The OUSD(C) requires DoD Components to conduct an annual evaluation of its overall administrative funds control processes as well as the processing of ADA violations. The Federal Managers’ Financial Integrity Act of 1982 (FMFIA) requires each Component head to provide an Annual Statement of Assurance (SOA) that states whether internal controls are designed adequately and operating effectively within the organization. To streamline efforts between these two requirements, the applicable Office of the Assistant Secretary of the Military Department for Financial Management and Comptroller or the Senior Financial Manager for other DoD Components will provide a memorandum addressed to the OUSD(C). The memorandum must address the following information in subparagraphs 010212.A and B and be submitted by October 31:

A. Memorandum Certification Statements.

1. “For Fiscal Year 20xx, the internal controls over centrally-managed accounts were in place and effective. Monthly accounting and reporting processes are adequate to reduce the risk of over obligations.”

2. “Corrective actions are being implemented and/or sustained and adequate evidentiary documentation is available to support this certification.”

3. A statement that provides the number of key fund control personnel identified and trained as prescribed in Chapter 2, paragraph 020401.

B. Annual SOA. A copy of the annual SOA must be included as an attachment to the memorandum. DoD Component’s annual SOA must be prepared in accordance with the FMFIA, DoDI 5010.40, and the DoD FMFIA SOA annual guidance.