MEMORANDUM FOR ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS (FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Administrative Control of Funds

This memo provides new guidance regarding the tracking, reporting, and maintaining of Antideficiency Act (ADA) corrective actions in response to Department of Defense (DoD) Office of Inspector General (OIG) audit findings. Additionally, clarification is provided on the definition of centrally managed accounts and annual certification requirements.

Pursuant to the DoD Financial Management Regulation (FMR), Volume 14, DoD components are currently required to submit an annual evaluation of the administrative fund control process and the processing of ADA violations. This report addresses the management controls governing appropriations, certifying official training, and the processing of ADA investigations from the previous fiscal year.

Effective with the Fiscal Year (FY) 2013 report, each component will submit an enclosure to its annual report. The enclosure will provide the following supplementary information:

- An overall assessment of controls based on results obtained from documented testing, conducted as part of Financial Improvement and Audit Readiness (FIAR) activities to include examinations or internal reviews;
- A list, by case number, of all ADA violations that have been submitted to the Office of Management and Budget, the President, and Congress in the previous fiscal year; and
- A list of planned and completed corrective actions for each violation.

Additionally, the Services’ enclosures should include certification by the Assistant Secretaries (Financial Management and Comptroller) that corrective actions are being implemented and/or sustained and that adequate evidentiary documentation is available to support that certification. All components are encouraged to make this supplementary information a routine part of their service auditor program or annual Managers’ Internal Control Program, using this information to support and provide assurance for this certification.

Effective with the FY 2014 report, components will provide similar coverage and comments on the status of the prior year corrective actions, using FY 2013 as a baseline. Similar to requirements to retain and provide evidentiary documentation to support financial statement audits, evidence of corrective actions resulting from ADAs should be retained for a period of six years and three months (per current National Archives and Records Administration guidance) from the later of the date of the ADA case closure or the date of the last implemented corrective action for the ADA violation. This enclosure will provide a summary of corrective actions, certifying that they remain in effect. Supporting documentation for corrective actions will be maintained by the component and will be made available upon request.
A centrally managed account (CMA) is a formal administrative subdivision of funds (allocation or allotment) that is managed at the highest practical level and allows officials at a lower echelon to charge obligations or expenditures to the CMA for authorized purposes without further determination or certification of fund availability for the individual transactions. Fund balances at the allocation/allotment level are subject to the provisions of 31 U.S.C. § 1517(a)(1). Fund authorization documents forwarding budget authority to the CMA will include the following statement: “Authorizing or incurring obligations in excess of the cumulative allocation/allotment amount, contained herein, is a reportable violation of 31 U.S.C. § 1517.”

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.

In accordance with DoD FMR Volume 14, Chapter 1, DoD components are required to review CMAs annually and provide certification as to the adequacy of controls. Effective with FY 2013, the annual evaluation of the administrative fund control process and the processing of ADA violations will be the vehicle for this certification. At a minimum, the cover memorandum for this report will include the following certifying statement: “For Fiscal Year 20xx, the internal controls over centrally-managed accounts were in place and effective. Monthly accounting and reporting processes are generally adequate to reduce the risk of over obligations.”

Components will be required to maintain documentation supporting this assessment and produce it on request. At a minimum, components should maintain records on the following:

- Appropriation and dollar value of the CMA;
- Rationale for establishing a CMA and why it is preferable to other methods of managing the appropriation;
- Individuals primarily responsible for managing the CMA and ensuring fund controls are properly implemented;
- Organizations authorized to make obligations against the CMA;
- Fund controls in place to establish limits on the amount and type of obligations that may be charged to the CMA;
- Monthly execution monitoring and procedures; and
- Date and method of testing of internal controls.

The next update of the DoD FMR Volume 14, Chapter 1, will incorporate these policy changes. My staff point of contact for this matter is Ms. Charlotte Beacham. She can be reached at (703) 602-0371 or charlotte.d.beacham.civ@mail.mil.

Mark E. Easton
Deputy Chief Financial Officer