



OFFICE OF THE UNDER SECRETARY OF DEFENSE

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WASHINGTON, DC 20301-1 1 0 0**

October 22, 2020

**MEMORANDUM FOR ASSISTANT SECRETARIES OF THE MILITARY DEPARTMENTS
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DEFENSE AGENCY AND DOD FIELD ACTIVITY DIRECTORS**

SUBJECT: Financial Reporting Guidance for Stockpile Materials (FPM 20-07)

This memorandum provides guidelines for financial reporting related to Stockpile Material transactions throughout the Department of Defense (DoD) to ensure compliance with the DoD U.S. Standard General Ledger Transaction Library. This policy clarifies recognition of stockpile items for national emergencies.

DoD Financial Management Regulation (FMR) Volume 4, Chapter 4, "Inventory and Related Property," paragraph 040801 states the following:

The National Defense Stockpile operates under the authority of the Strategic and Critical Stock Piling Act (50 U.S.C. Subchapter III). The Stockpiling Act provides that strategic and critical materials are stockpiled in the interest of national defense to preclude a dangerous and costly dependence upon foreign sources of supply in times of a national emergency...only accounting requirements and procedures for stockpile material transactions particular to the National Defense Stockpile Transaction Fund (NDSTF) are included in this section.

This restriction to the NDSTF must be revised to allow stockpiling within the Strategic National Stockpile (SNS). Accordingly, the Department developed the attached guidance allowing: (1) the Defense Health Agency to record and report stockpile materials for the Defense Health Program appropriation within the SNS; and (2) the Defense Logistics Agency to record and report stockpile materials within the NDSTF. Relevant provisions of this policy will be incorporated in the next update of the DoD FMR, Volume 4, Chapter 4.

Mr. Jeremiah Eidson is my point of contact for this subject. He can be reached at (571) 256-2663 or jeremiah.m.eidson.civ@mail.mil.

Mark E. Easton
Deputy Chief Financial Officer

Attachment:
As stated



DESCRIPTION OF THE ISSUE

The Department of Defense (DoD) Financial Management Regulation (FMR) does not explicitly define or clarify recognition of stockpile items for national emergencies.

Statement of Federal Financial Accounting Standards (SFFAS) No. 3, “Accounting for Inventory and Related Property,” defines stockpile materials as “strategic and critical materials held due to statutory requirements for use in national defense, conservation or national emergencies.”

DoD FMR Volume 4, Chapter 4, “Inventory and Related Property,” paragraph 040801 states the following:

The National Defense Stockpile operates under the authority of the Strategic and Critical Stock Piling Act (50 U.S.C. Subchapter III). The Stockpiling Act provides that strategic and critical materials are stockpiled in the interest of national defense to preclude a dangerous and costly dependence upon foreign sources of supply in times of a national emergency...only accounting requirements and procedures for stockpile material transactions particular to the National Defense Stockpile Transaction Fund (NDSTF) are included in this section.

This restriction to the NDSTF must be revised to allow medicines to be stockpiled within the Strategic National Stockpile (SNS).

SCOPE

The scope of this guidance is specific to U.S. Standard General Ledger (USSGL) transactions in the following General Ledger Account Codes (GLACs):

- 157100 – Stockpile Materials Held in Reserve, and
- 157200 – Stockpile Materials Held for Sale.

Also within the scope is the Department’s stockpiled materials for national emergencies operating under the authority of 42 U.S.C § 247d-6b, “Strategic National Stockpile and security countermeasure procurements,” and 42 U.S.C § 247d-7e, “Biomedical Advanced Research and Development Authority.”

As a point of clarification and specific to the two GLACs noted above, transactions from the normal operations of the NDSTF operating under the authority of the Strategic and Critical Stock Piling Act (50 U.S.C. Subchapter III) as amended by the National Defense Authorization Act for Fiscal Year YYYY are within the scope. Both are also explicitly covered within DoD FMR Volume 4, Chapter 4.



BACKGROUND

42 U.S.C. § 247d-6b, paragraph (a)(1) states:

The Secretary [of Health and Human Services (HHS)]...shall maintain a stockpile or stockpiles of drugs, vaccines and other biological products, medical devices, and other supplies...in such numbers, types, and amounts as are determined consistent with section 300hh-10 of this title...to provide for and optimize the emergency health security of the United States...in the event of a bioterrorist attack or other public health emergency and...make necessary additions or modifications to the contents of such stockpile or stockpiles based on the review conducted.

Additionally, 42 U.S.C. § 247d-6b, paragraph (a)(3) states:

The Secretary [of HHS], in managing the stockpile...shall...(F) deploy the stockpile as required by the Secretary of Homeland Security... [or] (G) deploy the stockpile at the discretion of the Secretary [of HHS] to respond to an actual or potential public health emergency.

42 U.S.C. § 300hh-10a establishes that the Secretary of Defense is a member of the Public Health Emergency Medical Countermeasures Enterprise (PHEMCE). Among its functions, paragraph (c)(1)(C) states the PHEMCE assists the Secretary of HHS “in developing strategies related to logistics, deployment, distribution, dispensing, and use of countermeasures that may be applicable to the activities of the strategic national stockpile under section 247d-6b(a) of this title.”

42 U.S.C § 247d-7e, paragraph (c)(4)(F) states:

The Secretary [of HHS]...may implement strategic initiatives...to address areas including...(ii) threats that consistently exist or continually circulate and have a significant potential to become a pandemic, such as pandemic influenza, which may include the advanced research and development, manufacturing, and appropriate stockpiling of qualified pandemic or epidemic products, and products, technologies, or processes to support the advanced research and development of such countermeasures (including multiuse platform technologies for diagnostics, vaccines, and therapeutics; virus seeds; clinical trial lots; novel virus strains; and antigen and adjuvant material).

DoD Directive (DoDD) 5136.01, “Assistant Secretary of Defense for Health Affairs (ASD(HA)),” establishes that ASD(HA) “develops policies, procedures, and standards that govern the management of DoD health and medical programs, including, but not limited to...public health and medical preparedness.” The Defense Health Program (DHP) maintains requirements prescribed by the United States Department of Health and Human Services due to the nature of public health preparedness as an ASD(HA) responsibility.



It is worth noting that 42 U.S.C. § 247d-6b states, “No Federal agency may disclose under section 552 of 5 U.S.C. any information identifying the location at which materials in the stockpile...are stored, or other information regarding the contents or deployment capability of the stockpile that could compromise national security.”

It is also worth noting that 21 U.S.C. § 321 defines the term “device.”

In summary:

1. 42 U.S.C. § 247d-6b establishes the Strategic National Stockpile and directs the Secretary of HHS to administer it;
2. 42 U.S.C. § 300hh-10a directs the Secretary of Defense, as a member of the PHEMCE, to assist the Secretary of HHS in developing strategies to administer the Strategic National Stockpile;
3. Per 42 U.S.C. §§ 247d-6b and 247d-7e, the Biomedical Advanced Research and Development Authority provides additional information as to what can be included in the stockpile and what information should not be disclosed about the stockpile; and
4. Through DoDD 5136.01, the Secretary of Defense delegates responsibility to the ASD(HA) for the Defense Health Program (DHP) to maintain SNS requirements prescribed by the Department of Health and Human Services due to the nature of public health preparedness as an ASD(HA) responsibility.

AUTHORITATIVE GUIDANCE

- Title 21 United States Code, Chapter 9, Subchapter II, Federal Food, Drug, and Cosmetic Act, (section 321)
- Title 42 United States Code, Chapter 6A, Subchapter II – General Powers and Duties (sections 241 to 280l-3)
- Title 42 United States Code, Chapter 6A, Subchapter XXVI, Part B All-Hazards Emergency Preparedness and Response (sections 300hh-10 to 300hh-17)
- Title 50 United States Code, Chapter 5, Subchapter III – Acquisition and Development of Strategic Raw Materials (sections 98 to 100a)
- SFFAS 3, “Accounting for Inventory and Related Property”
- DoD FMR 7000.14-R Volume 4, Chapter 4, “Inventory and Related Property”
- DoDD 5136.01, “Assistant Secretary of Defense for Health Affairs (ASD(HA))”



RECOMMENDATION(S) AND BASIS FOR RECOMMENDATION(S)

In accordance with the references provided above, the Defense Health Agency may record and report DHP stockpile materials within the SNS and the Defense Logistics Agency may record and report stockpile materials within the NDSTF using USSGL accounts 157100 and 157200.

Amendments to the DoD FMR Volume 4, Chapter 4, for references relating to stockpile materials will be made to ensure that the Department's guidance is compliant with Generally Accepted Accounting Principles, and that it is rational and consistent.