

**VOLUME 11B, CHAPTER 3: “DEFENSE WORKING CAPITAL FUNDS -
BUDGETARY RESOURCES”**

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 **October 2002** is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Title	Revised chapter title to “Defense Working Capital Funds – Budgetary Resources” to clarify focus on the Defense Working Capital Funds (DWCF) instead of all funding sources.	Revision
Multiple	Removed detailed journal entries and referenced Volume 1, Chapter 7 and the DoD United States Standard General Ledger Transaction Library for accounting entries related to DWCF.	Deletion
0301	Revised section to comply with current standard operating procedures and added a centralized location for authoritative sources increasing user experience and readability. Removed paragraphs, which provided operational rather than financial management guidance.	Revision/ Deletion
0302	Revised section title to improve description of content, added types of DWCF reimbursable program apportionment and forms of apportioned budget, mentioned other events reported on the SF-133, which further restrict the availability of budgetary resources. Specified who has the authority to incur additional obligations in excess of resources and how to document the additional obligations.	Revision/ Addition
030302	Added definition for supplemental appropriation and reappropriation and explained activity (execution) level entries.	Addition
030401	Added information about reimbursable orders and treatment of customer orders with advances.	Addition
030404	Added information about treatment of unearned revenue.	Addition

Table of Contents

VOLUME 11B, CHAPTER 3: “DEFENSE WORKING CAPITAL FUNDS - BUDGETARY RESOURCES” 1

*0301 GENERAL 3

 030101. Purpose 3

 030102. Authoritative Guidance 3

*0302 SOURCES OF, RESTRICTIONS ON, AND CLAIMS AGAINST BUDGETARY RESOURCES 4

 030201. Sources of Budgetary Resources 4

 030202. Restrictions on Budgetary Resources 6

 030203. Claims Against Budgetary Resources 8

0303 SUPPLEMENTAL APPROPRIATION AND REAPPROPRIATION 9

 030301. DWCF Supplemental Appropriations 9

 *030302. Receipt and Allocation of Supplemental Appropriation and Reappropriation 9

 030303. Reduction or Withdrawal of Direct Appropriations 10

0304 CUSTOMER ORDERS 10

 *030401. Anticipation of Customer Order 10

 030402. Receipt of Customer Orders 11

 030403. Recognition of Reimbursement Earned (Revenue) 11

 *030404. Treatment of Unearned Revenue 12

0305 NON-EXPENDITURE FUND TRANSFERS 12

CHAPTER 3

DEFENSE WORKING CAPITAL FUNDS - BUDGETARY RESOURCES

*0301 GENERAL

Budgetary resources are amounts available to incur obligations in a given fiscal year which include new budget authority, available unobligated balances at the beginning of the year, reimbursements and other income (also known as offsetting collections credited to an appropriation or fund account), recoveries of prior year obligations from unexpired accounts, and restorations. In the case of reimbursable work, earned reimbursements and unfilled customer orders, limited by the amount collected in advance for orders from the public, comprise budgetary resources.

030101. Purpose

A. This chapter discusses budgetary resources available for the Defense Working Capital Fund (DWCF). The applicable general ledger accounts are listed in the United States Standard General Ledger (USSGL) contained in Volume 1, Chapter 7, and the accounting entries for these accounts are specified in the DoD USSGL Transaction Library. Unless otherwise stated, this chapter is applicable to all DWCF Components and DWCF activities listed in Volume 3, Chapter 19. Chapter 2 provides guidance on establishing DWCF activities.

B. Additional information regarding the receipt and distribution of budgetary resources are located in Volume 3, Chapters 13, 14, and 15.

030102. Authoritative Guidance

The accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions of:

A. Title 31, United States Code, section 1341 ([31 U.S.C. § 1341](#)), Limitations on Expending and Obligating Amounts;

B. [31 U.S.C. § 1511](#), Definition and Application;

C. [31 U.S.C. § 1512](#), Apportionment and Reserves;

D. [31 U.S.C. § 1513](#), Officials Controlling Apportionments;

E. [31 U.S.C. § 1514](#), Administrative Division of Apportionments;

F. [31 U.S.C. § 1515](#), Authorized Apportionments Necessitating Deficiency or Supplemental Appropriations;

G. [31 U.S.C. § 1517](#), Prohibited Obligations and Expenditures;

- H. [31 U.S.C. §1532](#), Withdrawal and Credit;
- I. [31 U.S.C. §1535](#), Agency Agreements;
- J. [10 U.S.C. § 2208](#), Working Capital Funds;
- K. [10 U.S.C. §127a.](#), Operations for Which Funds Are Not Provided in Advance: Funding Mechanisms;
- L. Office of Management and Budget (OMB) [Circular A-11](#), Preparation, Submission, and Execution of the Budget;
- M. Treasury Financial Manual ([TFM](#)) [Volume I, Part 2, Chapter 2000](#), Warrant and Non-expenditure (Net) Transfer Transactions;
- N. Government Accountability Office (GAO) Principles of Federal Appropriations Law [Chapter 2](#), The Legal Framework;
- O. GAO Principles of Federal Appropriations Law [Chapter 3](#), Availability of Appropriations: Purpose;
- P. TFM United States Standard General Ledger ([USSGL](#));
- Q. Department of Defense (DoD) United States Standard General Ledger ([USSGL](#)) Transaction Library; and
- R. DoD Standard Financial Information Structure ([SFIS](#)).

*0302 SOURCES OF, RESTRICTIONS ON, AND CLAIMS AGAINST BUDGETARY RESOURCES

Prior to incurring an obligation, a DWCF Component must have sufficient budgetary resources available for obligation in accordance with statutory, administrative, and other restrictions, after consideration of the claims against such budgetary resources.

030201. Sources of Budgetary Resources

A. Direct appropriations and/or reappropriations provided directly to the DWCF or a DWCF Component by an appropriation act or other law and in accordance with statutory limitations, if any, by purpose, time, and amount.

1. The DWCF may receive direct appropriation to provide working capital and financing for specific projects or tasks. Appropriations are typically provided to the DoD at the departmental-level then transferred to the DWCF Component levels based on the request of the Office of the Under Secretary of Defense (Comptroller) (OUSDC), Deputy Comptroller, Program/Budget (P/B) and the apportionment by the Office of Management and

Budget (OMB) on the Standard Form (SF)-132, Apportionment and Reapportionment Schedule, as discussed in Volume 3, Chapter 13. OMB distributes the amounts available for obligation in an appropriation through apportionments; and

2. A DWCF reimbursable program may be:

a. Automatically apportioned. A DWCF Component may obligate the total amount of obligation authority upon becoming available; or

b. Specifically apportioned. A DWCF Component may incur the amount of obligations limited to the specified apportioned amount.

B. Contract authority authorized by specific statutory authority. Contract authority permits a DWCF Component to incur obligations in advance of an appropriation, offsetting collections, or receipts to make outlays to liquidate the obligations.

1. Unless otherwise specified by statute, contract authority is available for obligation only within the fiscal year for which the authority is provided;

2. By definition, contract authority is unfunded and, therefore, obligations incurred through use of contract authority may not be liquidated until funded by an appropriation of liquidating cash or, more commonly within the DWCF, by offsetting collections credited to the DWCF; and

3. DWCF activities that utilize contract authority are issued both contract authority and anticipated customer order amounts that tie to one another as discussed in Volume 3, Chapter 8.

C. Non-expenditure transfers between DWCF Component sub-numbered accounts or, when authorized by statute, between a DWCF Component sub-numbered account and a direct appropriation or non-DWCF fund. Non-expenditure transfers into the DWCF increase budgetary resources while non-expenditure transfers from the DWCF decrease budgetary resources.

D. Offsetting collections credited to the DWCF consisting of earned reimbursements, both collected and uncollected, and unfilled customer orders from:

1. Federal government accounts that represent valid obligations of the ordering account whether or not accompanied by an advance;

2. The public, including state and local governments, but only to the extent accompanied by an advance received and credited to the appropriate DWCF Treasury sub-numbered account; and

3. Refunds, which are the repayments of excess payments (outlays). The amounts are directly related to previous obligations incurred and outlays made. Refunds are

not available for obligations until the refund is collected. Refunds collected in the same fiscal year as the obligations incurred are credited to the appropriation or fund account charged with the original obligation. Refunds of prior year obligations are not available for obligation until collected and reapportioned by the OMB. Refunds receivable are not a budgetary resource.

E. Recoveries of prior year obligations. These are cancellations or downward adjustments of obligations incurred in prior fiscal years that were not outlayed. Within the DWCF, recoveries of prior year obligations are automatically apportioned and are available for new obligations as well as upward adjustments of previously existing valid obligations.

030202. Restrictions on Budgetary Resources

A. The DWCF is used to more effectively control and account for program costs and the work performed in the DoD. The Secretary of the Treasury establishes DWCFs upon request of the Secretary of Defense. A DWCF Component may only use amounts appropriated:

1. For the purpose stated in the appropriation act or other law providing the amounts, for no more than the amount appropriated or otherwise made available; and

2. Within the time period for which the funds are available for obligation, and are subject to such other limitations and/or restrictions as may be stated in the applicable appropriation act or other law providing the amounts, as well as such other statutory restrictions, both express and implied, as may be relevant.

B. Budget Authority is the authority provided by law to incur financial obligations that will result in outlays.

1. Budget authority is available for obligation only in accordance with purpose, time, and amount restrictions imposed by statute, by apportionments imposed by the OMB, and by administrative limitations imposed by authorized officials within the OUSD(C) and the DWCF Components;

2. In addition to being subject to statutory restrictions, DWCF budget authority is apportioned and allocated to the sub-account level on the OMB SF-132. DWCF budget authority is administratively allocated to the activity group levels as appropriate. The allocated amounts may be further restricted through administrative action; and

3. There are three forms of apportioned budget for the DWCF:

a. Direct Appropriation. Direct appropriated amounts are to be used for the specific purpose identified in the appropriations act or other legislation. Funds not appropriated specifically for the designated purpose are not available for that purpose. Unless specified otherwise, direct appropriations for the DWCF are no-year funds that do not expire.

b. Spending Authority from Offsetting Collections (Reimbursable Obligations). Reimbursable obligations are obligations financed by offsetting

collections credited to an expenditure account in payment for goods and services provided by that account. The collection must be authorized by law to credit the specific appropriation or fund account. Anticipated reimbursements may not be used as a source of obligational authority until a customer order is accepted unless such use specifically is authorized in statute. Volume 3, Chapter 15 describes reimbursable obligations in detail.

c. Contract Authority.

(1) Contract authority itself is not an appropriation. It is apportioned budget authority which can be legally obligated and may be used only for the purpose, time, and amount specified by statute relating to that contract authority. It is not funded and is apportioned and allocated without a supporting Treasury cash balance. Contract Authority must always be replaced or liquidated by subsequent or other budgetary resources and cash balances, more commonly within the DWCF, by offsetting collections credited to the DWCF. Unless otherwise specified by statute, contract authority is apportioned to the DWCF for the current fiscal year of the apportionment only, and closes for new obligations if not used within the fiscal year it is apportioned;

(2) The OMB apportions contract authority at the beginning of a fiscal year for the amount of the DWCF program. It provides the authority to incur obligations in anticipation of the collection of receipts or offsetting collections that will be used to liquidate the obligation. Within the DWCF, contract authority is available for capital asset program obligations, i.e., all DWCF activity groups, and supply management operations. Supply Management activity groups include Supply Management, Distribution Depots, Defense Commissary Agency (Resale), and the Defense Reutilization and Marketing Service; and

(3) There are no statutory restrictions placed on the obligational availability or availability to liquidate contract authority obligations of offsetting collections.

C. A non-expenditure transfer is a transfer of budgetary resources from one budget account, appropriation, or fund to another that does not involve an outlay. Statutory restrictions on the purpose, availability, and use of appropriated funds require that no change be made to those restrictions through the use of a non-expenditure transfer into the DWCF unless such change is specifically authorized by law.

D. Other events reported on the SF-133, Report on Budget Execution and Budgetary Resources, further restrict the availability of Budgetary Resources. Appendix F of the OMB Circular A-11 includes an explanation of these events with an identification of the impacted reporting lines on the SF-133.

E. If an apportionment is received by a sub-account or an activity group for a specific purpose, obligations must be kept within the apportioned limits even though the amount apportioned may be less than the total budgetary resources that otherwise would be available to the sub-account or activity group, in compliance with 31 U.S.C. Section 1517(a).

F. An administrative limitation cannot be used to change or eliminate a statutory restriction. An administrative action can only further restrict the purpose, time, or amount for which budgetary resources may be used. An administrative limitation, if any, of budgetary resources provided to a DWCF Component, or subdivision, by the OUSD(C) or designated representative; and/or a subdivision, if any, of budgetary resources provided to a DWCF activity group or activity (operating unit) by a DWCF Component official must be followed. If an administrative limitation is received, the DWCF Component must keep obligations within the limitation even though the limitation may be less than the total budgetary resources that otherwise would be available. Administrative limitations may be provided in various formats but must be in writing, signed, and clearly state that it is a violation of the 31 U.S.C. Section 1517(a) to incur obligations that exceed the limitation.

030203. Claims Against Budgetary Resources.

A DWCF Component must consider claims against budgetary resources in the determination of budget authority that is available for obligation. Claims against budgetary resources should be recorded in financial records of the DWCF entity. A DWCF Component should maintain financial records in sufficient detail to permit a segregation of budgetary resources and, within that segregation, an identification of claims against the budgetary resources.

A. Where a DWCF activity receives budgetary resources from more than one source, the receiving activity must maintain records which will enable it to control separately the transactions relating to each source and if the funds transferred are subject to restrictions different from those existing in the account to which transferred.

B. Of the three general availability restrictions of purpose, time, and amount, purpose should be determinable from administrative records while time and amount should be determinable from financial records.

C. A DWCF Component should have two primary types of financial accounts, proprietary and budgetary. The balance of budgetary resources available for obligation can be determined only from budgetary accounts. Proprietary accounts, by themselves, are not sufficient to determine budgetary resources. For example, non-budgetary assets such as inventories of stock for sale are not considered a budgetary resource. Additionally, a fund balance (i.e., cash) does not necessarily denote the availability of a budgetary resource. A fund balance, although present, may have claims against it (accounts payable, for example) and the amount of those claims, therefore, are not available for obligation.

D. Not all budgetary accounts represent a budgetary resource available for obligation. For example, anticipated customer orders are not budgetary resources available for obligation. The anticipated customer order only provides the authority to accept reimbursable orders and does not provide obligation authority. In addition, claims against budgetary resources, such as undelivered orders and unpaid accrued expenditures must enter into the determination of unobligated balances and, therefore, budgetary resources available for obligation. Similar to the anticipated customer order, administrative restrictions or other withheld amounts limit the balance of budgetary resources available for obligation. A DWCF Component can determine budgetary

resources available for obligation from data required to be reported on the SF-133. [Section 82 of OMB Circular A-11](#) also provides additional information.

E. In the event that budgetary resources available to a DWCF Component, activity group, or activity are not sufficient, a DWCF manager **should** not assume that sufficient budgetary resources exist elsewhere within the DWCF to fund obligations in excess of resources available. Rather, the manager of the DWCF Component, activity group or activity, as applicable, **must** request, in writing, an increase in authority to incur obligations from its management command or responsible DWCF Component and **must** defer the incurring of additional obligations until budgetary resources are sufficient to fund them. **The DWCF Component must document the authority to incur additional obligations in an Annual Operating Budget signed by the OUSD(C), Director/Associate Director, Operations, or designee.** See Volume 3 Chapter 19 for additional information on Obligation Authority.

0303 SUPPLEMENTAL APPROPRIATION AND REAPPROPRIATION

030301. DWCF Supplemental Appropriations

A. **Supplemental** appropriations may be provided for working capital purposes such as when the cumulative results of operations and/or the cash position is either negative or approaching negative or for other purposes **discussed in Volume 2A, Chapter 1.**

B. Receipt of the appropriation provides an immediate infusion of cash. The amount of the appropriation used must be accounted for and reflected in accounting records and financial reports.

C. **Appropriation is a financing source against which expenses must be matched and reported on the Statement of Operations.** If the amount of the appropriation is in excess of negative net and cumulative results of operations, the amount of the appropriation used must only be the amount sufficient to bring the total of accumulated operating results and net operating results to a zero dollar (\$-0-) position. The remaining amount of the appropriation **must** be used to offset any subsequent year net operating losses.

*030302. Receipt and Allocation of Supplemental Appropriation and Reappropriation

A. **Supplemental appropriation is an appropriation enacted subsequent to a regular annual appropriations act, when the need for funds is too urgent to be postponed until the next regular annual appropriations act. These supplementals may be:**

1. Requesting additional amounts not previously anticipated; or
2. Requesting changes in appropriations language that do not affect amounts previously appropriated.

B. Reappropriation is an extension of the availability of unobligated balances of budget authority that have expired or would otherwise expire as a result of legislation enacted subsequent to the law that provided the budget authority. The term does not apply to extensions of the availability of unobligated balances of budget authority that result from standing provisions of law, enacted before the budget authority was provided, or from provisions of law included in the same law that appropriated the funds.

C. The receipt of a **supplemental** appropriation or reappropriation is recorded at the departmental-level only. The allocation, if any, of the **supplemental** appropriation or reappropriation is recorded at the activity group and activity level as appropriate. The receipt and allocation of appropriations provided to the DWCF are accounted for **within the DoD USSGL Account Transactions**:

1. **Departmental-Level Entries.** Records receipt of a **supplemental appropriation or reappropriation** to the DWCF **at the account level** and establishes **budget authority**; the source document for the Budgetary Account posting is the OMB **Standard Form 132 (SF-132)**, Apportionment and Reapportionment Schedule. The source document for the **Proprietary Account** posting is the Treasury Warrant (TFS Form 6200), "Department of the Treasury Appropriation Warrant;"

2. **Intermediate Level Entries.** Record direct **budgetary** authority received from the departmental-level **by an intermediate level component and available for allotment to execution level component(s) or sub allotment to other intermediate level component(s); and**

3. **Activity (Execution) Level Entries.** Record direct budgetary authority received by an execution level component through either allotment or sub allotment of authority.

030303. Reduction or Withdrawal of Direct Appropriations

A. The reduction or withdrawal of an unexpired direct appropriation or reappropriation is recorded at the departmental-level. The reduction or withdrawal of the allocation, if any, of an appropriation or reappropriation issued to the intermediate or activity level is recorded as a decrease at the intermediate and activity level and as an increase at the departmental-level, as appropriate. The entry to record the reduction or withdrawal of an unexpired direct appropriation or reappropriation from **the departmental-level** requires **budgetary and proprietary journal entries to perform the transaction.**

0304 CUSTOMER ORDERS

*030401. Anticipation of Customer Order

A. The DWCF **Component** must estimate the dollar amount of reimbursable orders it expects to receive in the current fiscal year.

B. There must be a specific law that authorizes reimbursable work with non-Federal entities. A DWCF Component cannot cite the Economy Act as the statutory authority to perform work for non-Federal customer orders with or without an advance. A law must specifically allow a DWCF activity to incur obligations against customer orders received from non-Federal sources with an advance.

C. Customer orders with advances from non-Federal sources are credited to a Treasury Appropriation Fund Symbols (TAFS) that is legally available for the work performed. Customer orders with advances from non-Federal sources are credited to a TAFS that is legally available for the work performed where the period of availability of the performing Federal agency TAFS is determined by the activity's general counsel.

030402. Receipt of Customer Orders

A. Customer orders received are requisitions and other orders accepted for items to be furnished on a reimbursable basis. The amount of budgetary resources available for obligation from customer orders is the sum of orders received from Federal Government accounts that represent valid obligations of the ordering account, whether or not accompanied by an advance plus orders received from the public, including state and local governments, but only to the extent accompanied by a cash advance.

B. Throughout the year, unfilled customer order amounts should be adjusted to the extent that orders are filled, canceled, or new orders received.

030403. Recognition of Reimbursement Earned (Revenue)

An earned reimbursement is the amount of the customer orders that have been filled, provided that in the case of orders from the public, including state and local governments, the amount is limited to the amount of the cash advance received. Earned reimbursements should not exceed the amount of individual customer orders as well as letters of intent, commanders' orders, congressionally mandated actions, and other emergency situations. The amount of budgetary resources available for obligation from earned reimbursements is calculated as the sum of:

A. Customer orders from Federal Government accounts that have been filled but not yet billed;

B. Accounts receivable representing Federal Government customer orders that have been filled but not collected;

C. Cash received as advances from the public for customer orders that have been filled; and

D. Cash received as reimbursement for Federal Government customer orders that have been filled.

*030404. Treatment of Unearned Revenue

Unearned revenue consists of amounts received in advance for goods and services to be delivered at a future date. The appropriation language for DoD's DWCF permits the fund to receive advances for supplies and services. The DWCF business entities must be advanced funds identified in the DWCF customer orders during the fiscal year, as required, to enable the DWCF activity to pay for its costs of operation. The DoD Components receiving an advance must record the amount received as a liability until the payment is earned, i.e., goods or services have been delivered. After the payment is earned, the DoD Component must record the appropriate amount as revenue and reduce the liability accordingly. Other Liabilities are further discussed in Volume 4, Chapter 12 and DWCF Reimbursements and Revenue Recognition are further discussed in Volume 11B, Chapter 11.

0305 NON-EXPENDITURE FUND TRANSFERS

A non-expenditure transfer **moves** budgetary resources from one budget account, appropriation, or fund to another that does not involve an outlay. Non-expenditure transfers of funds may be received from another appropriation or fund or may be made to another appropriation or fund when appropriate and authorized. A non-expenditure transfer of funds received from another appropriation or fund increases the amount of available budgetary resources. A non-expenditure transfer of funds made to another appropriation or fund decreases the amount of available budgetary resources.