

**VOLUME 12, CHAPTER 8: “FOREIGN NATIONAL EMPLOYEES SEPARATION
PAY ACCOUNT, DEFENSE”****SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also 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 [April 2022](#) is archived.

| PARAGRAPH | EXPLANATION OF CHANGE/REVISION | PURPOSE |
|-----------|---|----------|
| All | Updated hyperlinks and language to comply with current guidance and increase readability. | Revision |

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CHAPTER 8

FOREIGN NATIONAL EMPLOYEES SEPARATION PAY ACCOUNT, DEFENSE

1.0 GENERAL

1.1 Purpose

This chapter specifies policy applicable to the United States Department of the Treasury (Treasury) “Foreign National Employees Separation Pay Account, Defense” account. Except as provided herein, all separation payments for Department of Defense (DoD) foreign national employees must be made from this account. All amounts that were obligated for such separation payments, but not expended before enactment, must be transferred to this account. Similar amounts obligated after enactment must also be transferred into this account on a quarterly basis. Amounts in the account remain available until expended.

1.2 Authoritative Guidance

1.2.1. The National Defense Authorization Act ([*NDAA for Fiscal Years 1992*](#)) and 1993 authorized a trust fund account to accumulate funds to finance obligations for separation payments to foreign national employees of the DoD. The [*NDAA for Fiscal Year 1995*](#) extended this authorization to include foreign nationals employed by a foreign government, for the benefit of DoD, under any of the following agreements that provide for separation pay: (1) a contract, (2) a treaty, or (3) a memorandum of understanding with a foreign nation. Title 10, United States Code, section 1581 ([*10 U.S.C. § 1581*](#)), “Foreign National Employees Separation Pay Account,” provides for the establishment and operation of this account. The use of the term “foreign national employees” in this chapter is meant to apply to both foreign national direct and indirect hire employees. [*10 U.S.C. § 1592*](#) establishes that funds in the “Foreign National Employees Separation Pay Account, Defense” account may not be used to pay severance pay to a foreign national employed by DoD that provides for payment of separation pay if the separation of the employment of the foreign national is the result of the closing of, or the curtailment of activities at, a United States military facility in that country at the request of the government of that country.

1.2.2. This guidance applies to all DoD appropriations. This guidance does not apply to activities under the Defense Working Capital Fund (DWCF). DWCF activities must continue to make necessary foreign national employee severance payments under established DWCF procedures. This guidance also does not apply to the Foreign Military Sales (FMS) Trust Fund. The FMS Trust Fund activities must continue to accrue and disburse separation pay to their foreign national employees from the FMS Trust Fund. Use of non-appropriated funds (NAF) to pay for severance or separation entitlements, accrued during periods of employment with appropriated funded (APF) entities is prohibited.

2.0 POLICY

2.1 Calculations

Foreign national employees' separation pay must be determined and calculated at the installation level in accordance with applicable host country agreements. These amounts must be obligated in the full amount of the liability that accrues during the fiscal year, without regard to whether the amount is currently payable. Disburse these amounts from the Treasury "Foreign National Employees Separation Pay Account, Defense," 097X8165. The applicable Treasury receipt account is 097X8165.001, "Employing Agency Contributions, Defense." Find additional guidance on obligations for separation allowances for foreign national employees in Volume 3, Chapter 8.

2.2 Pay Accruals

Transfer foreign national employee separation pay accruals (obligations) quarterly to the "Foreign National Employees Separation Pay Account, Defense." Transfer amounts via a Standard Form (SF) 1081, "Voucher and Schedule of Withdrawals and Credits."

2.3 Director, Defense Finance and Accounting Service

The Director, Defense Finance and Accounting Service (DFAS) must administer the account as well as perform related accounting functions.

2.4 Administrative Subdivisions

Establish administrative subdivisions within the account for each DoD Component that budgets for foreign national employee separation pay. Record deposits into and payments from the account in the applicable DoD Component subdivision.

2.5 Disbursements

Except for those organizations operating within the DWCF and the FMS Trust Fund disburse, all separation payments for foreign national employees paid from DoD appropriations from the "Foreign National Employees Separation Pay Account, Defense." Forward requests for authorization to disburse from this account to the appropriate servicing DFAS site. Forward a copy of the backup documents to the DFAS Indianapolis, Enterprise Accounting and Audit Support, Trust Funds Accounting and Reporting Operations mailbox at: dfas.indianapolis-in.jja.mbx.cin-jjra@mail.mil.

2.6 Transfers

Transfers into the "Foreign National Employees Separation Pay Account, Defense" must be made as follows:

2.6.1. **Transfer** all amounts accrued (obligated) for foreign national employee separation pay liability during each fiscal year by any DoD Component into the account quarterly via an SF 1081. Forward a copy of the backup documents to DFAS Indianapolis, Enterprise Accounting and Audit Support, Trust Funds Accounting and Reporting Operations mailbox at: dfas.indianapolis-in.jja.mbx.cin-jjra@mail.mil.

2.6.2. **Obligate and transfer** additional amounts from funds otherwise available to a DoD Component into the account under authority provided in the 10 U.S.C. § 1581, **when** payments from a DoD Component's subdivision of the account exceed the balance in that Component's subdivision. These transfers must equal the amount of the payment in excess of the balance of the DoD Component's subdivision of the account, plus any amounts accrued but not currently payable. **Find** additional guidance on the transfer of a foreign national employee from one DoD Component to another in Volume 3, Chapter 8.

2.6.3. Each DoD Component, in conjunction with the Director, DFAS, or designee, must perform at least an annual review of the amounts in its respective account subdivision and compare such amounts to its foreign national separation pay liabilities to ensure sufficient funds have been obligated for future payment. Both parties must certify the accuracy of the information. **Conduct this** annual review each April. DFAS and the other DoD Components also must maintain an audit trail of accounting records and **ensure** the establishment of an effective internal control system for the entire account.

2.7 Deobligations

Each DoD Component must notify its supporting DFAS site of all deobligation transactions, adjustments, and corrections, in a timely and accurate manner. The respective site will record adjustments and corrections in the accounting records.

2.8 Availability of Deobligated Amounts

Maintain amounts deobligated by DoD Components in the account for 2 years from the date of deobligation for recording, adjusting, and liquidating amounts properly chargeable to the liability of the respective DoD Component. **Cancel** any such deobligated amount remaining after the 2 years.

3.0 SUBSEQUENT DISBURSEMENTS

3.1 Validation of Funds Availability

Local disbursing offices and the Department of State may continue to make disbursements for foreign national employee separation payments, when approved by DFAS, using DoD cross-disbursement procedures. Each DoD Component and non-DoD office (e.g., Department of State) must coordinate its disbursement/cross-disbursement actions with the supporting DFAS site to validate the availability of funds prior to disbursement.

A positive balance in the account is necessary prior to payment; therefore, both DoD and non-DoD activities will verify from the supporting DFAS site that sufficient funds are available prior to submitting vouchers to servicing disbursing offices for employee payments.

3.2 Cross-Disbursements

When cross-disbursements procedures are used, the appropriate DFAS site must be advised prior to each actual disbursement. Find additional guidance on cross-disbursement transactions in Volume 3, Chapter 11.

4.0 RESPONSIBILITIES

4.1 DFAS Indianapolis- Enterprise Accounting and Audit Support, Trust Funds Accounting and Reporting

4.1.1. Oversee the recording and reporting of all required accounting information. Perform the required reporting and reconciliation of cash in the Treasury.

4.1.2. Maintain a general ledger account structure with necessary subsidiary ledgers to support the various accounts. Also accurately maintain subsidiary ledgers and an audit trail. The detailed subsidiary ledgers may remain at the supporting DFAS sites or DoD Component field level activities.

4.1.3. Process all accounting transactions through the accounting network in a timely and accurate manner.

4.1.4. Provide accurate and timely accounting service to customers, e.g., DoD Components, upon request. Coordinate the accounting process with other DFAS sites.

4.1.5. Perform a positive funds control function and alert the DoD Components when necessary to ensure a timely transfer, based on available information.

4.1.6. Provide a point of contact with telephone, email address, and fax numbers to the DoD Components.

4.2 DoD Components

4.2.1. Determine the obligation amount and notify the supporting DFAS site in a timely manner to accomplish the quarterly transfer. This information will be the basis for future SF 1081 processing and for updating the accounting records.

4.2.2. Process the SF 1081 and return a copy to the supporting DFAS site in a timely manner.

4.2.3. Manage all pertinent agreements regarding DoD foreign national employees. Forward a copy of all agreements and/or arrangements, including changes and amendments, to the supporting DFAS site.

4.2.4. Notify the supporting DFAS site of all changes, adjustments, or cancellations of previously reported information at least monthly.

4.2.5. Provide the supporting DFAS site with a point of contact, telephone, email address, fax numbers, and current mailing address.