



**DEPARTMENT OF DEFENSE**

**FINANCIAL MANAGEMENT REGULATION**

**VOLUME 3: “BUDGET EXECUTION - AVAILABILITY  
AND USE OF BUDGETARY RESOURCES”**

**UNDER SECRETARY OF DEFENSE  
(COMPTROLLER)**

**Volume 3 Table of Contents**

CHAPTER 1: “ARCHIVED” .....	N/A
CHAPTER 2: “APPORTIONMENT/REAPPORTIONMENT AND FUNDS DISTRIBUTION” .....	2-1
CHAPTER 3: “APPROPRIATION TRANSFER AUTHORITIES” .....	3-1
CHAPTER 4: “FUNCTIONAL TRANSFERS” .....	4-1
CHAPTER 5: “SPECIAL MILITARY CONSTRUCTION/FAMILY HOUSING FUND RELEASE PROCEDURES” .....	5-1
CHAPTER 6: “REPROGRAMMING OF DOD APPROPRIATED FUNDS” .....	6-1
CHAPTER 7: “REPROGRAMMING OF MILITARY CONSTRUCTION AND FAMILY HOUSING APPROPRIATED FUNDS” .....	7-1
CHAPTER 8: “STANDARDS FOR RECORDING AND REVIEWING COMMITMENTS AND OBLIGATIONS” .....	8-1
CHAPTER 9: “ARCHIVED” .....	N/A
CHAPTER 10: “ACCOUNTING REQUIREMENTS FOR EXPIRED AND CLOSED ACCOUNTS” .....	10-1
CHAPTER 11: “UNMATCHED DISBURSEMENTS, NEGATIVE UNLIQUIDATED OBLIGATIONS, AND IN-TRANSIT DISBURSEMENTS” .....	11-1
CHAPTER 12: “POLICIES AND PROCEDURES GOVERNING THE USE OF THE "FEED AND FORAGE" AUTHORITY OF SECTION 3732, REVISED STATUS (41 U.S.C. 11)” .....	12-1
CHAPTER 13: “RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES - DEPARTMENTAL-LEVEL” .....	13-1
CHAPTER 14: “RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES - INTERMEDIATE LEVEL” .....	14-1
CHAPTER 15: “RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES - EXECUTION LEVEL” .....	15-1
CHAPTER 16: “ARCHIVED” .....	N/A
CHAPTER 17: “ACCOUNTING REQUIREMENTS FOR MILITARY CONSTRUCTION PROJECTS” .....	17-1

## Volume 3 Table of Contents (continued)

CHAPTER 18: “PUBLIC ENTERPRISE AND TRUST FUNDS” .....	18-1
CHAPTER 19: “DEFENSE WORKING CAPITAL FUND” .....	19-1



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**FINANCIAL MANAGEMENT REGULATION**

**CHAPTER 1: "ARCHIVED"**

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## VOLUME 3, CHAPTER 2: “APPORTIONMENT/ REAPPORTIONMENT AND FUNDS DISTRIBUTION”

### SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by [blue](#) font.

Substantive revisions are denoted by an (\*) 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 2020](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated content with relevant information and adopted required format changes.	Revision
1.0	This paragraph was substantively revised to add the Purpose paragraph and the required list of Authoritative Guidance information. The subparagraphs for Legal Requirement, Apportionment Level, and Funds Allocation were moved to the new 2.0 Definitions paragraph.	Revision/ Addition
2.0	Established the Definitions paragraph for the subparagraphs that were previously part of the 1.0 General paragraph.	Revision/ Addition
3.5	Added specific guidance for apportionments while under Continuing Resolution.	Addition
4.1.4	Added the Office of Management and Budget guidance on apportionment footnotes.	Addition
6.6	Added Apportionments guidance to record the sale and replacement of assets under section 21 of the Arms Export Control Act.	Addition

## Table of Contents

VOLUME 3, CHAPTER 2: “APPORTIONMENT/ REAPPORTIONMENT AND FUNDS DISTRIBUTION” .....	1
*1.0 GENERAL .....	3
1.1 Purpose .....	3
1.2 Authoritative Guidance .....	3
*2.0 DEFINITIONS .....	3
2.1 Legal Requirement .....	4
2.2 Apportionment Level .....	4
2.3 Funds Allocation .....	4
3.0 REQUIREMENTS .....	4
3.1 Accounts Requiring Apportionment .....	4
3.2 Accounts Requiring Reapportionment .....	4
3.3 Funds Controlled and Distributed by OUSD(C)/PB .....	5
3.4 Periodic Review/ Apportionment Process.....	5
*3.5 Apportionments under Continuing Resolution.....	6
4.0 PROCEDURES .....	6
4.1 Preparation of Apportionment and Reapportionment Requests.....	6
4.2 Supporting Information .....	9
4.3 File naming conventions .....	9
5.0 COMPONENT NOTICE OF THE DOD COMPTROLLER AND OFFICE OF MANAGEMENT AND BUDGET ACTIONS .....	10
5.1 OUSD(C) Action .....	10
5.2 OMB Action .....	10
5.3 Notice to the DoD Component of OMB Action.....	10
6.0 SPECIAL INSTRUCTIONS .....	10
6.1 North Atlantic Treaty Organization (NATO) Security Investment Program (NSIP) ..	10
6.2 Surcharge Collections, Sales of Commissary Stores - Trust Revolving Fund.....	10
6.3 Letter Apportionments .....	11
6.4 Interim Apportionment Authority for Initial Appropriations Act .....	11
6.5 Apportionment Requirements under Continuing Resolution (CR).....	11
*6.6 Apportionments and the Arms Export Control Act.....	11
7.0 RESCISSIONS AND DEFERRALS .....	13
7.1 Statutory and General Guidance.....	13
7.2 Reapportionment .....	14
7.3 Deferrals .....	14
7.4 Other Apportionment Actions .....	14

## **CHAPTER 2**

### **APPORTIONMENT/ REAPPORTIONMENT AND FUNDS DISTRIBUTION**

#### **\*1.0 GENERAL**

##### **1.1 Purpose**

This chapter provides information on the apportionment process, and the first level of funds distribution from the Office of the Under Secretary of Defense (Comptroller), Program/Budget (OUSD(C)/PB) to the Military Services and Defense Agencies. It includes guidance for the preparation and submission of the Apportionment and Reapportionment Schedule (Standard Form (SF) 132) required by the Office of Management and Budget (OMB).

##### **1.2 Authoritative Guidance**

The financial management and requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. Title 2, United States Code, Section 683, ([2 U.S.C. § 683](#)), “Rescission of budget authority”

1.2.2. [2 U.S.C. § 684](#), “Proposed deferrals or budget authority”

1.2.3. [10 U.S.C. § 114](#) “Annual authorization of appropriations”

1.2.4. [10 U.S.C. § 2685](#), “Adjustment of or surcharge on selling prices in commissary stores to provide funds for construction and improvement of commissary store facilities”

1.2.5. [22 U.S.C. § 2761](#) “Sales from stocks”

1.2.6. [31 U.S.C. § 1512](#), “Apportionment and reserves”

1.2.7. [31 U.S.C. § 1513](#), “Officials controlling apportionments”

1.2.8. [31 U.S.C. § 1516](#), “Exemptions”

1.2.9. [31 U.S.C. § 1553](#), “Availability of appropriation accounts to pay obligations”

1.2.10. Public Law 90-629 Section 21, ([P.L. 90-629 § 21](#)), “Arms Export Control Act”

1.2.11. [OMB Circular No. A-11](#), “Preparation, Submission, and Execution of the Budget”

#### **\*2.0 DEFINITIONS**

## 2.1 Legal Requirement

Apportionment is part of the government-wide system for the administrative control of funds. The legal requirement for apportionment is found in [31 U.S.C. §§ 1512 and 1513](#). Unless expressly exempted or automatically apportioned by OMB, all [Department of Defense \(DoD\)](#) appropriated, collected, and recovered resources require OMB approval through the apportionment/reapportionment process before they are available for distribution and legal obligation. Apportionments may contain quarterly and programmatic limitations on the face of the apportionment document (SF 132) and may provide more account specific guidance in the accompanying footnotes. Revisions to the previous apportionment, called reapportionment, reflect changes to resources previously authorized for obligation, including collections and recoveries of prior year obligations. Apportionments, including footnotes, are legally binding on the DoD.

## 2.2 Apportionment Level

The OMB manages and approves apportionments at the Treasury appropriation fund symbol (TAFS) level. Each TAFS is comprised of a Treasury departmental index, a period of availability to incur new obligations, and a Treasury account symbol. For example, a TAFS for the Military Personnel, Army Appropriation would be 21-20BB/20EE-2010, where BB and EE represent the fiscal year beginning point and ending point of authority to incur new obligations specified in appropriation and authorization acts.

## 2.3 Funds Allocation

Following approval of apportionment/reapportionment requests by OMB, OUSD(C)/PB allocates funds to the Military Services and Defense Agencies. Funds distributed by OUSD(C)/PB may be further subdivided through sub-allocation and sub-allotment to lower levels within the organizations or across organizations for execution.

## 3.0 REQUIREMENTS

### 3.1 Accounts Requiring Apportionment

All appropriations require apportionment, except appropriations and funds that are identified in the OMB Circular [No. A-11](#) as exempt, or those expressly exempted by OMB pursuant to their authority under 31 U.S.C. § 1516. Contact OUSD(C), Program and Financial Control (P&FC) for a full list of accounts currently exempt from apportionment. Refer to OMB Circular No. A-11 ([Sections 120.4 through 120.8](#)).

### 3.2 Accounts Requiring Reapportionment

[In accordance with the OMB Circular No. A-11](#), all accounts which must be apportioned must also be reapportioned for any upward adjustment of budgetary resources greater than \$400,000 or 2 percent (whichever is lower) before the increased resources may be obligated. [OUSD\(C\) generally apportions the accounts regardless of these thresholds to ensure the correct footnotes are on the apportionments for the fiscal year.](#) The unobligated balances brought forward



in unexpired accounts must also be reapportioned annually. Refer to OMB Circular No. A-11 (Sections 120.48 through 120.51). Expired accounts are not apportioned. Transfer-only accounts are generally exempt from apportionment. OMB may require a written request to exempt these accounts from apportionment. These exemptions are processed through the OUSD(C), P&FC office. All accounts being reapportioned must be compared to the most current Report on Budget Execution and Budgetary Resources (SF 133), applying at a minimum, the standards in [subparagraph 3.4.1](#).

### 3.3 Funds Controlled and Distributed by OUSD(C)/PB

Initial distribution to the Military Services and Defense Agencies is the responsibility of OUSD(C)/PB for all funds appropriated by Congress; funds made available through above-threshold reprogrammings and transfers from other TAFS; legally authorized proceeds from donations, contributions, and sales of assets for replacement under the authority of section 21 of the Arms Export Control Act ([AECA](#)); reimbursable authority; borrowing authority, contract authority, and for direct, non-reimbursable, collections. The assigned OUSD(C)/PB analyst for each appropriation account will allocate funds to the Military Services and/or the Defense Agencies by means of funds authorization documents (FADs). Distribution will be made after funds are realized and apportioned as necessary. Distribution below the level of initial transfer to the Military Services and Defense Agencies will be the responsibility of the Services and Agencies. Transfer-only accounts are not available for obligation or outlay, and budgetary resources in such accounts will not be distributed directly from the transfer accounts; such funds are distributed using reprogramming procedures governed by [Chapter 6](#) (Reprogramming of DoD Appropriated Funds) to the FAD for the recipient appropriation.

### 3.4 Periodic Review/[Apportionment Process](#)

[3.4.1](#). Analysts responsible for monitoring the appropriation accounts will review apportioned amounts a minimum of four times per year and make any necessary adjustments. The review will occur using the SF 133s from the following months:

Quarter 1	December
Quarter 2	March
Quarter 3	June
Quarter 4	July

The update will be included on the initial apportionment for the next fiscal year which includes the estimated, unobligated balance brought forward.

[3.4.2](#). Necessary adjustments will be submitted to OMB to allow at least 10 business days processing time for any necessary reapportionments. Most accounts will not require quarterly updates if the required OMB footnotes are present on the apportionment. [These footnotes are generally added to the unobligated balance roll forward apportionments](#). At a minimum, the review will include the following:

3.4.2.1. Confirm unobligated balances brought forward, appropriations received, and permanent reductions to amounts reported on the SF 133. Coordinate with DFAS to resolve discrepancies.

3.4.2.2. Reasonable check of transfers to amounts reported on the most recent SF 133. Reconcile as necessary (possible timing differences). These timing differences could be due to lag time in reporting on the SF 133. Refer to OMB Circular No. A-11 (Appendix F) for proper reporting of expired and unexpired balances transferred.

3.4.2.3. In accordance with OMB Circular No. A-11, all amounts will be rounded up on the SF 132 when compared to the SF 133. For example, \$1,253,248.22 will round up to \$1,253,249. A footnote shown in paragraph 4.1.3.2.6 needs to be added to the apportionment.

3.4.2.4. Update recoveries (both paid and unpaid) and spending authority from offsetting collections to actual amounts reported on the most recent SF 133.

3.4.2.5. Ensure sufficient amounts are apportioned for projected obligations through the end of the respective quarter, for both direct and reimbursable funding, by quarter or category, as appropriate. Request reapportionment as necessary to avoid a deficiency.

### \*3.5 Apportionments under Continuing Resolution

Specific guidance for apportionments while under Continuing Resolution (CR) that are impacted by supplemental funding:

3.5.1. All apportionments while under CR where funds are enacted as supplemental funding must contain two line 1100 amounts with two different line split indicators (“CR” and “E”).

3.5.2. All apportionments while under CR where funds are enacted as supplemental funding must contain two line 1134 amounts with two different line split indicators (“CR” and “E”).

3.5.3. “CR” denotes the lines impacted by the CR calculations (annualized CR amount and the delta between the annualized CR and the CR apportionment amount). “E” denotes the lines impacted by the enactment (the appropriation line and the delta between the 30 day auto apportionment amount and the enactment amount).

## 4.0 PROCEDURES

### 4.1 Preparation of Apportionment and Reapportionment Requests

4.1.1. All requests will be created electronically using OMB’s web based apportionment module. Refer to OMB Circular No. A-11, [Exhibit 120B-120D](#), for an example SF 132. Apportionment requests will be submitted by the Military Services and the Enterprise Financial Transformation team to OUSD(C), P&FC, and will be validated in OMB’s

MAX system prior to submission. OUSD(C), P&FC will prepare the defense-wide apportionments, [with the exception of the Defense-wide Working Capital Funds](#), and provide [all submitted and prepared apportionments](#) to the responsible OUSD(C) analysts for approval prior to submission to OMB. All apportionments must be submitted in accordance with the following:

#### [4.1.2. Timing and minimum requirements:](#)

[4.1.2.1.](#) For new appropriations, Components must submit requests within five calendar days after enactment of appropriations acts appropriating funds to the DoD. At the direction of the OUSD(C), the SF 132 apportionment requests may be required to execute fund transfers mandated or authorized in an appropriations act. Refer to [paragraph 6.4](#) for information about budgetary resources available to agencies pending OMB approval of an initial apportionment following newly enacted appropriations, and [paragraph 6.5](#) for information about apportionment requirements under continuing resolutions.

[4.1.2.2.](#) For all multi-year [and no year](#) accounts that will be available for obligation in the following year, Components must submit an estimate of unobligated balances. Estimates will be based on unobligated balances on the July SF 133. Include anticipated reimbursements in this request as applicable.

[4.1.2.3.](#) Components will submit reapportionment requests at various times throughout the year as needed to reflect changes in resources. A reapportionment request is also necessary if amounts require redistribution among apportionment categories. Refer to [subparagraph 4.1.3.1](#) for minimum review requirements to be performed with every reapportionment. Components must update collections and recoveries to actual amounts reflected on the SF 133 with each reapportionment.

#### [4.1.3. Apportionment Categories:](#)

Apportionments are identified by four categories (A, by time; B, by program, project, or activity (PPA); AB, a combination of PPA and time period; and C future years (for multiyear/no year accounts)) designated in OMB Circular No. A-11, Section 120.13. The DoD uses, at a minimum, the following categories:

##### [4.1.3.1.](#) Category A, Quarterly apportionments as follows:

Line 6001	First Quarter
Line 6002	Second Quarter
Line 6003	Third Quarter
Line 6004	Fourth Quarter

[4.1.3.2.](#) Category B, PPA level apportionments will be reported on lines 6011 – [6110](#) for multiyear accounts. Accounts may be apportioned lump sum, by business area, or by PPA.

4.1.3.3. Defense Working Capital Funds (WCF) will identify apportionments for the Military Services/Defense Agencies business areas by listing them as separate Category B designations.

\* 4.1.4. Footnotes are an essential mechanism for administrative control of funds used in apportionments. They provide supporting explanation and clarity. Incorporating explanatory footnotes sufficient to support the changes on the SF 132 will facilitate faster processing at OMB. Refer to OMB Circular No. A-11, (Sections 120.34 – 120.38) for additional information. “A” footnotes are legally binding while “B” footnotes are more explanatory in nature but do, in some cases, have references to the OMB Circular No. A-11.

4.1.4.1. The following footnote will be included at a minimum on all DoD apportionments:

“A classified attachment displaying the apportionment of specific classified programs within the amount displayed may be included. All documents associated with this apportionment are unclassified except for the Classified Attachment. The classified apportionment shall be allotted in full and executed without change. Such apportionment shall remain valid during the fiscal year until such time as a reapportionment of such classified apportionment is required. Allotments shall be made no later than 30 days after OMB signs the apportionment or the start of the subsequent calendar month, whichever is later.”

4.1.4.2. The following standard footnotes must be included if applicable to the apportionment:

4.1.4.2.1. “To the extent authorized by law, the amounts apportioned may be increased for actual recoveries of prior year obligations without further action from OMB.” Also include a “D or R” in the Line Split column of the SF 132 for recoveries on lines 1021 and 1033, as applicable.

4.1.4.2.2. “Apportioned anticipated budgetary resources, once realized, do not need to be reapportioned unless the amount realized exceeds the conditions on the total amount apportioned (A-11 Section 120.49). Also include a “D or R” in the Line Split column of the SF 132 for spending authority on lines 1700, 1701 and 1740 (or 1800, 1801 and 1840), as applicable. This is a section “B” footnote.

4.1.4.2.3. “To the extent authorized by law, the amounts apportioned may be increased or decreased up to five percent of the amount on lines 1000 for actual unobligated balances without further action from OMB.”

4.1.4.2.4. “Temporary FYXX sequestered amounts restored in FYXX.”

4.1.4.2.5. “Temporary funding sequestered at X.X% in the amount of \$XXX,XXX. Funds are sequestered from X.”

4.1.4.2.6. In accordance with section 120.21 of OMB Circular No. A-11, one or more lines in the Budgetary Resources section may be rounded up. As a result, those rounded lines will not match the actuals reported on the SF 133. The Agency will ensure that its funds control system will only allot actuals.

4.1.4.3. For the first apportionment of the year while under a CR, include the following footnotes in the previously approved footnote tab and reference it in the previously approved column:

4.1.4.3.1. “Annualized appropriation provided by P.L. XXX-XX, as amended, calculations specified by OMB Bulletin XX-XX.”

4.1.4.3.2. “Amount on line 1134 has been adjusted pursuant to OMB Bulletin XX-XX.”

4.1.4.4. For an account that is under CR but is receiving supplemental funding, include the following footnotes in the previously approved footnote tab and reference them in the previously approved column:

4.1.4.4.1. “Amount on line 1134 line split CR has been adjusted pursuant to OMB Bulletin XX-XX.”

4.1.4.4.2. “Amount on line 1134 line split E has been adjusted pursuant to OMB Bulletin XX-XX.”

4.1.4.5. Allocation Transfers to Other Agencies (Parent/Child transfers). Allocation transfers to other agencies for execution of funds on behalf of the DoD will be reflected on all apportionment/reapportionment requests. Refer to the example at OMB Circular No. A-11, Section 120.29, Exhibits 120O-120R.

## 4.2 Supporting Information

Each apportionment request will be accompanied by a written explanation of the requested apportionment action (footnotes will suffice for most requests) and a pdf copy of the most recent SF 133 to validate the updated amounts on the SF 132.

## 4.3 File naming conventions

4.3.1. Components will save MAX-validated SF 132 Apportionment Requests using a consistent file naming convention. File names will begin with the two-position fiscal year (FY), followed by the account abbreviation, the two-position Treasury Index, the 4 or 8-position period of availability (POA), the four-position account number, and a sequence number in parenthesis (filenames and sequence numbers may be changed by OUSD(C), P&FC when necessary).

4.3.2. Examples of acceptable file names:

4.3.2.1. 25 OMA (21 2025 2020) (2).xlsx would represent Operation and Maintenance, Army's second FY 2025 submission.

4.3.2.2. 25 BRAC (97 X 0516) (2).xlsx would represent the Base Realignment and Closure account's second FY 2025 submission.

4.3.2.3. 25 APAF (57 2025 2027 3010) (2).xlsx would represent Aircraft Procurement, Air Force's second FY 2025 submission of the 2025/2027 POA.

## 5.0 COMPONENT NOTICE OF THE DOD COMPTROLLER AND OFFICE OF MANAGEMENT AND BUDGET ACTIONS

### 5.1 OUSD(C) Action

The OUSD(C) will notify the Component of amounts recommended by the OUSD(C) if such amounts differ significantly from those requested by the DoD Component.

### 5.2 OMB Action

The OMB will indicate to the OUSD(C) the action taken in regard to the initial request for apportionment within the time prescribed by law. In regard to reapportionment, OMB will generally respond within 10 business days after receipt of the request. This is accomplished via email notification.

### 5.3 Notice to the DoD Component of OMB Action

Upon OMB email notification, the OUSD(C), P&FC will forward the OMB approved apportionment document and any correspondence, to the OUSD(C) appropriation managers and the DoD Component points of contact. Appropriation managers will issue FADs to the Components.

## 6.0 SPECIAL INSTRUCTIONS

### 6.1 North Atlantic Treaty Organization (NATO) Security Investment Program (NSIP)

NATO infrastructure recoupments will be reported as collections. If it is anticipated that amounts will be recouped during the FY, an estimate should be apportioned as anticipated reimbursements.

### 6.2 Surcharge Collections, Sales of Commissary Stores - Trust Revolving Fund

10 U.S.C. § 2685 permits obligation of anticipated proceeds from the adjustments or surcharges authorized by 10 U.S.C. § 2685. Prior to any such obligation of funds, the amounts must be apportioned as contract authority on the SF 132.

### 6.3 Letter Apportionments

Letter apportionments may be requested by OUSD(C) under certain circumstances, such as periods under Continuing Resolution Authority, or for prior approval reprogramming actions or internal reprogramming actions. Subsequent requests for reapportionment will reflect the amounts approved on the letter apportionment in all columns of the SF 132.

### 6.4 Interim Apportionment Authority for Initial Appropriations Act

In cases where OMB is reviewing the first apportionment request for newly enacted appropriations, OMB automatically apportions up to a 30-day level of resources. Refer to OMB Circular No. A-11 (Section 120.41) to calculate the amount automatically apportioned. [This amount will be displayed on the previously approved column of the SF 132.](#) Once the written apportionment is approved by OMB, the automatic apportionment ceases to remain in effect. This authority may be further limited or modified by OUSD(C) and OMB.

### 6.5 Apportionment Requirements under Continuing Resolution (CR)

[6.5.1.](#) When an appropriations act for a fiscal year has not been signed by October 1, Congress may pass a resolution appropriating funds to allow for the continuation of government operations for a specified period of time or until an appropriations act provides appropriations for the fiscal year. The CR is generally for a short term period, and there may be multiple CRs or CR extensions before an appropriations act is finally passed. Each CR must be signed into law by the President before becoming effective.

[6.5.2.](#) OUSD(C), P&FC will calculate annualized appropriations and automatic apportionment while under CR, based on the CR language and guidance in the OMB bulletin issued with the first CR. The OUSD(C), P&FC will provide appropriations and adjustments for reporting in the AR1002 and SF 133, and available funds under CR to all Components, along with guidance to be followed while under CR. All OUSD(C), P&FC calculations and fund balances/availability will be at the account level. Updates will be provided with each subsequent CR until an appropriations bill is passed. Appropriations and apportionments while under CR will be recorded in the SF 133 in accordance with OMB Circular No. A-11 (Appendix F).

[6.5.3.](#) Pursuant to written exceptions from OMB, DoD reimbursements generally are automatically apportioned during the period of a CR, to the extent that orders are received. The OMB authorizes the exception in writing when it becomes evident that agency operations under a CR are imminent. This special exception for automatic apportionment of reimbursements will be conveyed to Components with the guidance accompanying the initial CR.

[6.5.4.](#) Should Components require more funds than are automatically available to them under the CR, an exception apportionment will be required. Guidance for submission of an exception request will be included in the CR guidance.

### [\\*6.6 Apportionments and the Arms Export Control Act](#)



6.6.1. Apportionments to record the sale and replacement of assets under section 21 of the AECA require specific actions.

6.6.2. Direct Budget Plan. This plan includes those items of materiel to be purchased for delivery to service inventory and those procurement programs that support the acquisition of materiel for United States Forces. Financing for the direct budget plan is derived from new budget authority provided by the Congress and the transfer of resources from other appropriations. A portion of DoD materiel acquisition costs may also be funded by offsetting collections from materiel sold for replacement under the authority of section 21 of the AECA, codified at 22 U.S.C. § 2761. Such collections represent proceeds providing direct resources and there is no specified time limit for the replacement under this authority. However, the replacement may require prior congressional approval.

6.6.3. Reimbursable Budget Plan. This plan includes those items of materiel to be purchased for delivery to and used by customers. Financing for reimbursable budget plan is derived from:

6.6.3.1. Customer orders received for items (not stocked by or purchased for procuring service use) to be purchased for direct delivery to a customer. (Direct citation of customer funds for procurement against this type of order is encouraged where common components and/or common assembly with service production of similar items are not involved.)

6.6.3.2. Customer orders received, or to be received, for items common to the procuring service and customer for direct delivery to the customer.

6.6.3.3. Where the materiel item is to be made available from on-order quantities under an existing contract of a Military Department, the sales transactions will be reflected as reimbursable transactions. The quantities and costs of the replacement procurement will be included in the reimbursable program.

6.6.3.4. Where the materiel item is to be made available directly from a contract awarded after the date of the sales agreement and the contract includes a particular quantity of the item to fulfill the sales agreement, the transaction will be reflected as a direct cite transaction.

#### 6.6.4. Treatment of Proceeds from Materiel Sales under AECA Authority

6.6.4.1. Treatment of Proceeds from Materiel Sales, when Materiel Sold will be Replaced. In accordance with section 83.5 of OMB Circular No. A-11, proceeds that will be used for replacement assets are considered offsetting collections, which provide direct resources that, when used for replacement assets, will be reported as direct obligations. The proceeds will be credited as collections to the account funding the replacement in the period of availability with the latest expiration date at the time of collection. This may be a no-year account if one exists and the collections may be made in a later fiscal year than that in which the sale was made. Proceeds will be reported as spending authority providing direct resources in the SF133. They will be apportioned as discretionary collections in the “Budgetary Resources” section of the SF132 and included in direct resources in the “Application of Budgetary Resources” section. Proceeds will



be reported as direct program in the AR(M) 1002. Accordingly, obligations for the replacement assets will be reported as direct obligations.

6.6.4.2. Sale for Replacement with Like Items. Replacement of materiel using proceeds from sale is authorized under section 21 of the AECA without further congressional approval, so long as the item sold will be replaced with an item of the identical type, model, and series or a modified version of the same basic model. For an item of ammunition, replacement with any round that provides the same warfighting mission capability is authorized, provided the round to be purchased has been previously approved by the Congress for procurement, and the inventory objective presented to the Congress is not exceeded. Obligations to replace the assets will be recognized as direct obligations.

6.6.3.3. Sale for Replacement with Dissimilar or Modified Items Requiring Congressional Approval. In this situation, an item of materiel sold will require replacement to compensate DoD inventories for the resultant loss of capability or readiness. Because of one or more circumstances, the replacement item will not be identical to the item sold. It must, however, be a later series or modified version of the same basic model or an acceptable substitute item. Replacement requires prior approval by the Congress, which is requested on a DD1415-1, Reprogramming Action- Prior Approval, as provided for in Volume 3, Chapter 6. The approval does not, however, involve or result in any actual reprogramming action. Submission of the DD1415-1 is the method by which DoD obtains the required congressional approval, so the request must be included on a separate 1415-1 form, or as a separate section on the 1415-1 from when other items for reprogramming are being submitted for consideration. No reprogramming or transfer of funds will occur, and obligations to replace the assets will be recognized and accounted for as direct obligations, rather than as reimbursements to annual procurement appropriations.

6.6.3.4. Proceeds from Materiel Sales with No Intention to Replace. Pursuant to 10 U.S.C. § 114(c)(2)(B), all other proceeds for items not replaced will be deposited into Miscellaneous Receipts of the United States Treasury.

## 7.0 RESCISSIONS AND DEFERRALS

### 7.1 Statutory and General Guidance

Available budgetary resources may be withheld from obligation or expenditure through impoundment, either permanently (rescission) or temporarily (deferral) under conditions set forth in 31 U.S.C. § 1512 and the Congressional Budget and Impoundment Control Act (2 U.S.C. §§ 683 and 684). Budgetary resources may be deferred to provide for contingencies; to achieve savings made possible by or through changes in requirements or greater efficiency of operations; or as specifically provided by law, except that funds available for only one fiscal year may not be deferred through the end of that year. For additional information and definitions of rescissions and deferrals, refer to OMB Circular No. A-11 (Section 112).

## 7.2 Reapportionment

Reapportionment will generally be required when funds are proposed for rescission or deferral. For procedures and special reporting requirements, refer to OMB Circular No. A-11 (Section 112.3).

## 7.3 Deferrals

As the fourth quarter approaches, Components should review all deferrals (particularly of funds expiring at the end of the year) to ensure that amounts deferred for only part of the year will be released in time to be used prudently before the year ends. If a determination is made that such amounts should not be used, a rescission will be proposed prior to the beginning of the fourth fiscal quarter. Only in exceptional cases will rescissions be proposed during the fourth quarter. All proposed rescissions must be approved by the OMB.

## 7.4 Other Apportionment Actions

Refer to OMB Circular No. A-11 (Sections 112.14 – 112.16) for guidance to apportionment actions to be taken when rescission proposals and deferrals are enacted, released, or disapproved.

**VOLUME 3, CHAPTER 3: “APPROPRIATION TRANSFER AUTHORITIES”****SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also denoted by **blue** font.

Substantive revisions are denoted by an (\*) 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 **February 2015** is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
All	Updated and changed paragraph numbering system throughout the chapter	Revision
1.0	This paragraph was substantively revised to add the Purpose narratives and the required list of Authoritative Guidance information	Revision / Addition
2.2.5	Added guidance for transfer of Military Construction appropriations.	Addition

**Table of Contents**

VOLUME 3, CHAPTER 3: “APPROPRIATION TRANSFER AUTHORITIES” .....	1
*1.0 GENERAL .....	3
1.1 Purpose .....	3
1.2 Authoritative Guidance .....	3
2.0 TYPES OF TRANSFER AUTHORITIES .....	3
2.1 Authority for Transfer .....	3
2.2 Authority for Transfers Affecting Budget Availability.....	4
3.0 STATUS REPORT ON TRANSFER ACTIONS .....	5
4.0 ACTIONS RELATED TO EXERCISE OF TRANSFER AUTHORITY .....	5
4.1 Proposals to Exercise Transfer Authority .....	5
4.2 SecDef Determination .....	5
4.3 OMB/Presidential Approval.....	6
4.4 Reprogramming Actions .....	6
4.5 Processing of Treasury Non-Expenditure Transfers (NETs) .....	6
4.6 Notification to the Congress.....	7
4.7 Apportionment and Reapportionment Schedules.....	7
4.8 Guidance on SF 133 Treatment.....	8
4.9 Fund Authorization Documents .....	8

## CHAPTER 3

### APPROPRIATION TRANSFER AUTHORITIES

#### \*1.0 GENERAL

##### 1.1 Purpose

This chapter identifies and describes the various transfer authorities that are available to the Department and prescribes action required to exercise transfer authority. The Congress has provided authority for transfers of funds to move funds from one appropriation to another. The transfer authority is in addition to the regular and supplemental appropriations that make funds available.

##### 1.2 Authoritative Guidance

The financial management and requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. Title 10, United States Code, section 125, ([10 U.S.C. § 125](#)) “Functions, powers, and duties: transfer, reassignment, consolidation, or abolition”

1.2.2. [10 U.S.C. § 126](#), “Transfer of funds and employees”

1.2.3. [10 U.S.C. § 2215](#), “Transfers of funds to other departments and agencies: limitation”

1.2.4. [31 U.S.C. § 1531](#), “Transfers of functions and activities”

1.2.5. Office of Management and Budget Circular No. A-11, section 120.5 ([OMB Circular No. A-11 section 120.5](#)), “What TAFS are exempt from apportionment?”

1.2.6. Department of Defense (DoD) Directive 5118.03 ([DoDD 5118.03](#)), “Under Secretary of Defense (Comptroller)/Chief Financial Officer, Department of Defense”

#### 2.0 TYPES OF TRANSFER AUTHORITIES

##### 2.1 Authority for Transfer

Transfer authorities may be included in permanent, one-time or recurring provisions of law. Most of the transfers within the Department, however, are made pursuant to authority granted in the annual Appropriations Act. Some of the transfer authorities are provided solely for administrative convenience and some allow no discretionary action. Once authorized/approved, basic responsibility for executing Treasury transfers will be assigned to the DoD Components from which the funds are transferred ([see paragraph 4.5](#)).

## 2.2 Authority for Transfers Affecting Budget Availability

2.2.1. Congressionally Directed Transfers. This type of transfer is included in the applicable DoD Appropriations Acts, either in the General Provisions or in the language that enacts the individual appropriations. The Act itself then becomes the authority for DoD Components to process the transfer documents.

2.2.2. General Transfer Authority. The General Provisions sections of DoD Appropriations and Authorization Acts provide authority to transfer funds between appropriations, or between appropriation subdivisions approved in the Acts, upon determination by the Secretary of Defense ([SecDef](#)) that such action is necessary in the national interest; provided that such authority to transfer may not be used unless for higher priority items, based on unforeseen military requirements, than the items for which funds were originally appropriated, and in no case where the item for which funds are requested has been denied by the Congress. The Congress must be notified promptly of all transfers made under this authority. The Appropriations Act authority requires approval of the [Director of the OMB](#). The Authorization Act authority does not include that requirement.

2.2.3. Transfers Between Working Capital Funds. Generally, the DoD Appropriations Act provides authority, during the current fiscal year, to transfer cash balances between working capital funds and the Foreign Currency Fluctuations, Defense and Operation and Maintenance appropriation accounts. Transfers may be made between such funds in such amounts as may be determined by the [SecDef](#), with the approval of the [Director of the OMB](#), except that transfers may not be made unless the [SecDef](#) has notified the Congress of the proposed transfer. Except in amounts equal to the amounts appropriated to working capital funds in the Act, no obligations may be made against a working capital fund to procure [or increase the value of](#) war reserve material inventory, unless the [SecDef](#) has notified the Congress prior to any such obligation.

2.2.4. Transfer of Funds for Intelligence Activities. See Chapter 6, [paragraph 6.0](#) for intelligence-related transfer authorities.

\* 2.2.5. Transfer of Military Construction (MilCon) Appropriations. In the annual MilCon / Veterans Affairs appropriations act, the Congress provides the [SecDef](#) with the authority to transfer funds from the MilCon, Defense-Wide appropriation to other DoD MilCon or Family Housing appropriations as the Secretary may designate, to be merged with and to be available for the same purposes, and for the same time period, as the appropriation or fund to which the funds are transferred.

2.2.6. Transfer Accounts. Various Appropriation and Authorization Acts have included language making funds available or transfer authority available for accounts such as Environmental Restoration, Defense; Drug Interdiction and Counter-Drug Activities, Defense; Foreign Currency Fluctuations, and Defense; Foreign Currency Fluctuations, Construction, Defense. Accounts which are available only for transfer are exempted from the requirement to apportion, as per OMB Circular [No. A-11](#) section 120.5.

2.2.7. Transfer of Funds and Personnel for Functional Transfers Within the DoD. When a transfer of function, power, or duty is made within the DoD from one Military Department or Defense Agency to another, pursuant to the authority of 10 U.S.C § 125, balances of appropriations and civilian employee positions, that the SecDef determines are available and needed to finance and perform that function, power, duty, or activity, may be transferred, with the approval of the President (as delegated to the OMB). Funds transferred to the department or agency to which that function, power, duty, or activity, as the case may be, is transferred, and used for any purpose for which those appropriations were originally available must be made pursuant to 10 U.S.C § 126 (see Chapter 4).

2.2.8. Transfer of Funds for Functional Transfers Between Government Agencies. 31 U.S.C § 1531 (a) provides similar authority to 10 U.S.C § 126, limited to appropriations. 31 U.S.C § 1531 (b) provides that the head of the executive agency, with the President's approval, determines the amounts to be transferred in the case of intra-agency transfers and that the President determines the amounts to be transferred in the case of inter-agency transfers.

2.2.9. Transfer of Funds to Other Departments and Agencies: Limitation. 10 U.S.C. § 2215 mandates that funds available for military functions of the DoD may not be made available to any other department or agency of the Federal Government pursuant to a provision of law enacted after November 29, 1989, unless, not less than 30 days before such funds are made available to such other department or agency, the SecDef submits to the House Armed Services and Senate Armed Services Committees and the Committees on Appropriations of the Senate and House of Representatives a certification that making those funds available to such other department or agency is in the national security interest of the United States.

### 3.0 STATUS REPORT ON TRANSFER ACTIONS

To ensure that all required actions relating to transfers are accomplished in a timely manner, the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) will maintain and publish periodically a status report on transfer actions.

### 4.0 ACTIONS RELATED TO EXERCISE OF TRANSFER AUTHORITY

#### 4.1 Proposals to Exercise Transfer Authority

The DoD Components will submit proposals for transfer formally to the OUSD(C) for processing. The submission must state the statutory authority for the proposed transfer.

#### 4.2 SecDef Determination

In most cases, the SecDef will provide the authority and amounts for transfer upon determination by the SecDef that certain conditions exist. The SecDef determination, when required, either will be obtained or signed by the OUSD(C) under delegation of authority from the SecDef as provided in DoD Directive 5118.03, section 4.r. In processing Standard Form (SF) 1151 transfer documents to the Treasury Department, the statutory authority for the transfer

must be cited, with references to documents constituting determinations and copies of the associated OMB or Presidential approvals when required.

#### 4.3 OMB/Presidential Approval

Where the statutory authority requires a determination or OMB/Presidential approval for the transfer, the OUSD(C) will obtain the necessary approval. The OMB approval may also include the apportionment of funds.

#### 4.4 Reprogramming Actions

Reprogramming actions (DD 1415) made pursuant to provisions of Chapter 6, will be submitted whenever necessary to provide accountability for increases or decreases between DoD appropriations. Accordingly, reprogramming actions are required to reflect transfer amounts that are not congressionally directed. The timing for submission of the DD 1415 depends upon the nature of the transfer and the amount involved.

#### 4.5 Processing of Treasury Non-Expenditure Transfers (NETs)

Treasury NET is the means by which funds are moved between accounts at the Treasury pursuant to an authorized/approved transfer. Treasury NETs will be requested in the Treasury's [Central Accounting Reporting System](#) and must be requested by the entity transferring funds out.

4.5.1. Except as stated in [subparagraphs 4.5.1.1 and 4.5.1.2](#), Treasury NETs transferring funds between DoD appropriation and fund accounts should not be processed prior to the receipt of an OUSD(C) memorandum directing that such action be taken. The following types of transfers may be made without prior approval of the OUSD(C):

4.5.1.1. Transfers of funds for functional transfers between government agencies (31 U.S.C. § 1531) - when the request is initiated by a government agency other than the [DoD](#).

4.5.1.2. Transfers of obligational authority from one agency to a transfer appropriation account that is established in another agency to carry out the purposes of the parent appropriation or fund. Such transfers are not adjustments to budget authority or balances of budget authority.

4.5.2. The memorandum from the OUSD(C) directing that a Treasury NET be processed will be addressed both to the transferring office, the recipient office, and will include the following information.

4.5.2.1. Identity of the transferring office.

4.5.2.2. Account from which funds are to be transferred and the recipient account.

4.5.2.3. Amount of the transfer in dollars.



4.5.2.4. Statutory references for the transfer authority.

4.5.2.5. Reference to enclosure of a [SecDef](#) determination, if applicable.

4.5.2.6. Reference to enclosure of an OMB approval, if applicable.

4.5.2.7. Statement of whether the action is an appropriation transfer, a reappropriation, or obligated and unobligated [balance](#) transfer.

4.5.2.8. Statement as to the reprogramming action (DD 1415) serial number on which transfers are reflected.

4.5.2.9. Statement as to the applicable lines on the Apportionment and Reapportionment Schedule (SF 132) on which the transfer amounts must be reflected, when submitting the required schedule or subsequent reapportionments.

4.5.2.10. Statement as to the applicable lines on the Report on Budget Execution and Budgetary Resources (SF 133) on which the transfer amounts must be reflected, when the transfer is made.

4.5.2.11. Statement as to the official responsible for issuance of the applicable fund authorization documents.

4.5.2.12. Statement that either the OUSD(C) or other applicable designee will make formal notification to the Congress of the amount transferred, if required by law.

#### 4.6 Notification to the Congress

4.6.1. When there is a statutory requirement that transfers be reported to the Congress, such notification is made to the President of the Senate and to the Speaker of the House of Representatives promptly by the OUSD(C) upon completion of transfer action. In accordance with informal arrangements between the [DoD](#) and the cognizant Subcommittees of the Committees on Appropriations, a copy of the report is transmitted to those cognizant Subcommittees and to the House Armed Services and Senate Armed Services Committees.

4.6.2. It should be noted that, although transfers of funds pursuant to 10 [U.S.C § 126](#) need not be reported to the Congress, transfers of functions pursuant to 10 [U.S.C § 125](#) must be reported when there is a substantial reduction or elimination of a major weapons system. The OSD office submitting the transfer of function documents to the [SecDef](#) for approval is responsible for preparing documents to notify the Congress.

#### 4.7 Apportionment and Reapportionment Schedules

4.7.1. Pursuant to provisions of OMB Circular [No. A-11](#) and Chapter 2, as applicable, transfers will be reflected on Apportionment and Reapportionment Schedules (SF 132). Where prior approval is required, SF132s will be prepared after the necessary approvals are obtained. For

certain transfers specified in Chapter 2 (e.g., Foreign Currency Fluctuations, Defense or Environmental Restoration), the gaining and losing accounts, except accounts available only for transfer, automatically are apportioned and transfers will be reflected on subsequent schedules that are generated for other purposes during the year. Accounts available only for transfer are exempt from apportionment in accordance with OMB [No. A-11](#), section 120.5.

4.7.2. Each Apportionment and Reapportionment Schedule submitted must show all transfers processed to date. The SF 132 is processed concurrently for both the gaining and losing appropriations, as applicable.

#### 4.8 Guidance on SF 133 Treatment

Although OMB Circular [No. A-11](#) does not contemplate that transfers will be included on the “Report on Budget Execution and Budgetary Resources” (SF 133) until the NET action is completed, transfers may be included on the SF 133 on an anticipated basis when all statutory requirements for the transfer have been met but prior to the processing of the NET. Decisions relating to anticipated transfers on the SF 133 will reflect the agreed-upon position of the OUSD(C) and the OMB.

#### 4.9 Fund Authorization Documents

Reflect program adjustments resulting from the transfers, as determined by the cognizant Program/Budget appropriation director in the OUSD(C).

**VOLUME 3, CHAPTER 4: “FUNCTIONAL TRANSFERS”****SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also denoted by [blue font](#).

Substantive revisions are denoted by an (\*) 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 [February 2015](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Updated and changed paragraph numbering system throughout the chapter.	Revision
1.0	This paragraph was substantively revised to add the Purpose narratives and the required list of Authoritative Guidance information.	Revision/ Addition

**Table of Contents**

VOLUME 3, CHAPTER 4: “FUNCTIONAL TRANSFERS” .....	1
*1.0    GENERAL .....	3
1.1        Purpose .....	3
1.2        Authoritative Guidance .....	3
2.0    STATUTORY AUTHORITY .....	3
3.0    TYPES OF TRANSFER AUTHORITIES .....	3
3.1        Fund Adjustments .....	3
3.2        Transfer of Funds .....	3

## CHAPTER 4

### FUNCTIONAL TRANSFERS

#### \*1.0 GENERAL

##### 1.1 Purpose

The purpose of this chapter is to provide guidance relative to statutory authority and the types of transfer authorities for functional transfers.

##### 1.2 Authoritative Guidance

The financial management and requirements prescribed by this chapter are in accordance with the applicable provisions of:

1.2.1. Title 10, United States Code, section 125, (10 U.S.C. § 125) “Functions, powers, and duties: transfer, reassignment, consolidation, or abolition”

1.2.2. 10 U.S.C. § 126, “Transfer of funds and employees”

#### 2.0 STATUTORY AUTHORITY

Under the provisions of 10 U.S.C. § 125, the Secretary of Defense (SecDef) is authorized to transfer, reassign, consolidate or abolish any function, power or duty vested in the Department. Whenever a transfer of function, power or duty is accomplished under the authority of 10 U.S.C. § 125, balances of appropriations and civilian employees, that the SecDef determines are available and needed to finance and perform that function, power, duty or activity, may be transferred, with the approval of the President as delegated to the Office of Management and Budget in accordance with 10 U.S.C. § 126.

#### 3.0 TYPES OF TRANSFER AUTHORITIES

##### 3.1 Fund Adjustments

If a funding adjustment is necessitated by a transfer of functions during a current year, it should be handled to the extent possible on a reimbursable basis. Only when financing of such transfers through the reimbursement process presents serious burdens or involves significant amounts should a transfer of funds be requested.

##### 3.2 Transfer of Funds

When transfers of funds are necessary as a result of transfer of functions under 10 U.S.C. § 125, it will be the responsibility of the receiving Department of Defense (DoD) Component to request that the Under Secretary of Defense (Comptroller) obtain the necessary determination and approval for the transfer of funds. The request must be prepared pursuant to

10 U.S.C. § 126. In accordance with the provisions in Chapter 3, the request must also contain a statement that the DoD Components concerned have agreed to the amounts proposed for transfer. A copy of the SecDef approval of the transfer of functions (under 10 U.S.C. § 125) should accompany the request.

**VOLUME 3, CHAPTER 5: “SPECIAL MILITARY CONSTRUCTION/FAMILY HOUSING FUND RELEASE PROCEDURES”****SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also denoted by [blue font](#).

Substantive revisions are denoted by an \* 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 2011](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Appendix A	Added explanation of the submission number.	Addition
Appendix C	Added an example of the fund approval template.	Addition

**Table of Contents**

VOLUME 3, CHAPTER 5: “SPECIAL MILITARY CONSTRUCTION/FAMILY HOUSING FUND RELEASE PROCEDURES” .....	1
1.0 GENERAL (0501) .....	3
2.0 OVERVIEW (0502) .....	3
2.1 Fund Approval (050201) .....	3
2.2 Defense-Wide Construction and Family Housing (050202) .....	3
2.3 OUSD(C) Review (050203) .....	3
2.4 Document Approval (050204) .....	3
3.0 SUBMISSION REQUIREMENTS (0503) .....	4
APPENDIX A .....	A-1
APPENDIX B .....	B-1
*APPENDIX C .....	C-1



**CHAPTER 5****SPECIAL MILITARY CONSTRUCTION/FAMILY HOUSING FUND  
RELEASE PROCEDURES****1.0 GENERAL (0501)**

This chapter provides guidance on the fund release and the project approval procedures applicable to the military construction and family housing appropriations.

**2.0 OVERVIEW (0502)****2.1 Fund Approval (050201)**

For the military construction and family housing construction accounts will be accomplished by the submission of a request from the cognizant [Military Department](#) in a format 460 to the Office of the Under Secretary of Defense (Comptroller) (OUSD)(C) Program Budget (P/B) Military Personnel and Construction Directorate. An example of this format, and the instructions for its completion, are included in Appendix A of this chapter.

**2.2 [Defense-Wide Construction](#) and Family Housing (050202)**

A format 460 does not need to be submitted for [Defense-Wide military construction accounts](#) or for Family Housing, Operation and Maintenance (O&M) annual accounts. Fund approvals providing quarterly limitations by budget activity for these accounts will continue to be accomplished by OUSD(C) Obligational Authority memoranda.

**2.3 OUSD(C) Review (050203)**

Upon OUSD(C) review of the [Military Department](#) submission, a fund approval will be issued to the requesting Component to provide obligational authority corresponding to the action taken on the request as reflected in the Office of Secretary of Defense (OSD) approved column of the format 460. A copy of the format 460 will be attached to the fund approval. A sample of the fund approval is provided in Appendix B and [C](#).

**2.4 Document Approval (050204)**

The approval document limits the Component's authority to incur obligations. Further, obligations [cannot](#) be incurred prior to the receipt of the fund approval document or in excess of the amounts shown therein.

### 3.0 SUBMISSION REQUIREMENTS (0503)

A fund release will be required to request the initial fund authorization document; to request the release of funds for projects previously placed on [withhold](#) by OUSD(C); to support an approved apportionment/reapportionment schedule (SF 132); and to support an approved formal [above-threshold](#) reprogramming action.

## APPENDIX A

**INSTRUCTIONS FOR FORMAT 460**  
**“MILITARY CONSTRUCTION/FAMILY HOUSING PROGRAM**  
**FUND APPROVAL”**

1.0 **Requirement.** A format 460 is required for all **Military Department** Military and Family Housing Construction accounts. It will be executed in project detail for the major construction and new construction budget activities and executed as a lump sum for all other budget activities. The format is intended to provide a complete listing of all the disposition of the funds provided by the applicable appropriation act and includes all **above-threshold** reprogramming actions.

2.0 **Entries.** Columnar entries shall be as follows:

2.1 **State/Country/Installation/Project.** Display the name of the installation and the project title as reflected in the National Defense Authorization Act (NDAA). If there is more than one project at an installation or activity, the installation or activity title should not be repeated. The project listing should be in state or country sequence with the same installation and project nomenclature as appearing in the NDAA. **In some circumstances, the appropriation enactment amount may exceed the authorized amount for a project, then funding can only be issued in accordance with the authorized amount for the project.** The centrally managed allotment (CMA) for foreign currency fluctuation should be shown as a separate entry at the end of the project listing.

2.2 **Project Number.** Display the Component-assigned project number associated with the project.

2.3 **Special Interest.** The special interest column should contain an asterisk if the project was reduced by either chamber of the Congress during the enactment process or was indicated to be of special interest in a congressional report.

2.4 **Appropriated Amount.** The amount shown in this column must be consistent with the amount shown for the project in the Appropriation Act, **including rescissions**. The total of all amounts shown in this column must correspond to the amount provided in the applicable appropriation act covered by the apportionment/reapportionment exhibit. If the amount appropriated and authorized for a project differs, a footnote (providing the authorized amount) is required to document this difference. For the foreign currency fluctuation CMA this line is blank.

2.5 **Formal Reprogramming.** If the project appears in a formal reprogramming request, either as a recipient of funds or as a source of funds, enter the adjustment in this column which shall be consistent with the amount shown in the reprogramming request.

2.6 **Previously Approved.** This column represents the amount Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) currently **approved for** the project--the amount appearing on the latest format 460 formally submitted to OUSD(C). The DD 460 is to be updated to reflect the **allocated** foreign currency fluctuation CMA **amount**.

- 2.7 Proposed. This column represents the amount requested for [allocation for the](#) project.
- 2.8 Office of Secretary of Defense (OSD) Approved. OUSD(C) will indicate the amount approved in this column.
- 2.9 Delta from Previous Submission. This reflects the difference between the previously approved and the proposed amounts.
- 2.10 OSD Withhold. OUSD(C) will indicate the amount on withhold in this column.
- 2.11 Appropriation Title. Reflect the appropriate Military Construction or Family Housing Construction appropriation title.
- 2.12 Symbol. Enter the Treasury code for the account for which obligational authority is being sought. For example, 21 [20/24](#) 2050 would represent the FY [2020](#) Military Construction Army account.
- 2.13 Submission No. [The first portion of the submission number should include the appropriation abbreviation, followed by the two-digit fiscal year of issuance including the period of availability or program year of the funds, and concluded with the sequential number of issuance for that period of availability. For example, MCN 21 \(20/24\) – 09 would represent the 9th Navy FAD issuance in FY 2021 using the FY 2020 period of availability.](#)
- 2.14 Footnotes. Include footnotes related to Congressional adds and rescissions, formal reprogramming, split funding, and when the authorized amount differs from the appropriated amount to create an audit trail that ties back to legislation or specific justification documents.

MILITARY CONSTRUCTION or FAMILY HOUSING PROGRAM/FUND APPROVAL		APPROPRIATION TITLE: (11) SYMBOL: (12)						SUBMISSION NO: (13) AS OF:		
STATE/COUNTRY/ INSTALLATION/PROJECTS	PROJECT NO.	SPECIAL INT	APPROP AMOUNT	FORMAL REPROGRAM	PREVIOUSLY APPROVED	PROPOSED	OSD APPROVED	DELTA FROM PREVIOUS SUBMISSION	OSD WITHHOLD	FOOTNOTE
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(14)

460 Format

## APPENDIX B

MEMORANDUM FOR ASSISTANT SECRETARY OF THE \_\_\_\_\_  
(FINANCIAL MANAGEMENT AND COMPTROLLER)

MILITARY CONSTRUCTION, (Enter Component)			
OBLIGATION LIMITATION			
PROGRAM YEAR ##### OBLIGATION AUTHORITY			
OBLIGATION LIMITATION (\$000)			
BUDGET ACTIVITY	PREVIOUSLY APPROVED	THIS ADJUSTMENT	REVISED APPROVED
MAJOR CONSTRUCTION			
MINOR CONSTRUCTION			
PLANNING AND DESIGN			
FOREIGN CURRENCY ALLOTMENT (CMA)			
TOTAL DIRECT PROGRAM			
REIMBURSABLE AUTHORITY			
TOTAL			
<p>* The amounts shown in the revised approved column represent limitations subject to the provision of Title 31, United States Code, Section 1517, the Antideficiency Act. Obligations are not to be incurred beyond the revised amounts shown for each budget activity without the specific prior approval of the Office of the Under Secretary of Defense (Comptroller).</p>			
Authorization No.	Date	Approved	

**\*APPENDIX C**

MEMORANDUM FOR ASSISTANT SECRETARY OF THE \_\_\_\_\_  
(FINANCIAL MANAGEMENT AND COMPTROLLER)

FAMILY HOUSING CONSTRUCTION, (Enter Component)			
OBLIGATION LIMITATION			
PROGRAM YEAR ##### OBLIGATION AUTHORITY			
OBLIGATION LIMITATION (\$000)			
BUDGET ACTIVITY	PREVIOUSLY APPROVED	THIS ADJUSTMENT	REVISED APPROVED
NEW CONSTRUCTION			
CONSTRUCTION IMPROVEMENTS			
PLANNING AND DESIGN			
FOREIGN CURRENCY ALLOTMENT (CMA)			
TOTAL DIRECT PROGRAM			
REIMBURSABLE AUTHORITY			
TOTAL			
<p>* The amounts shown in the revised approved column represent limitations subject to the provision of Title 31, United States Code, Section 1517, the Antideficiency Act. Obligations are not to be incurred beyond the revised amounts shown for each budget activity without the specific prior approval of the Office of the Under Secretary of Defense (Comptroller).</p>			
Authorization No.	Date	Approved	

## VOLUME 3, CHAPTER 6: “REPROGRAMMING OF DOD APPROPRIATED FUNDS”

### SUMMARY OF MAJOR CHANGES

Changes are identified in this table and also denoted by [blue font](#).

Substantive revisions are denoted by an \* 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 March 2011 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
3.2 (060302)	Added requirement that Components use the Enterprise Funds Distribution (EFD) system for transmitting DD Form 1414, Base for Reprogramming Actions submissions	Update
4.1.5. (060401.E)	Updates to sub-activity reprogramming requirements	Update
4.7 (060407)	Added requirement that Components use the Enterprise Funds Distribution (EFD) system to submit reprogramming actions	Update
5.2 (060502)	Added requirement that Components use the Enterprise Funds Distribution (EFD) system to update DD Form 1416, Report of Programs	Update
12.0 (0612)	FY 2014 National Defense Authorization Act eliminated the requirement for the Readiness Transfer Report	Deleted
Appendix B	FY 2014 National Defense Authorization Act eliminated the requirement for the Readiness Transfer Report	Deleted



## Table of Contents

VOLUME 3, CHAPTER 6: “REPROGRAMMING OF DOD APPROPRIATED FUNDS” .....	1
1.0 PURPOSE (0601).....	4
1.1 Department for the Reprogramming (060101) .....	4
1.2 Reprogramming Procedures (060102) .....	4
1.3 Reprogramming Policy (060103).....	4
2.0 REPROGRAMMING DOCUMENTS IN GENERAL (0602) .....	4
2.1 DD 1414, Base for Reprogramming Actions (060201) .....	4
2.2 DD 1415, Reprogramming Action (060202) .....	5
2.3 DD 1416, Report of Programs (060203).....	5
3.0 DETAILED PROCEDURES FOR BASE FOR REPROGRAMMING ACTIONS (0603) .....	5
3.1 General (060301) .....	5
3.2 Due Date (060302).....	5
3.3 Transmittal (060303).....	5
3.4 Security Classification (060304).....	6
3.5 Detailed Instructions for Preparation of the DD 1414 (060305).....	6
4.0 REPROGRAMMING ACTIONS (0604).....	6
4.1 Reprogramming Actions Requiring Written Congressional Approval (060401)	6
4.2 Internal Reprogramming Actions (060402) .....	10
4.3 Letter Notifications <a href="#">to Congress</a> (060403).....	11
4.4 Failure to Provide Proper Notification (060404) .....	12
4.5 Transfer Authority (060405) .....	12
4.6 Detailed Instructions and Formats for Preparation of DD 1415 (060406).....	13
4.7 Submittal by Components (060407) .....	13
4.8 Signed DD 1415s (060408).....	14
4.9 OMB Approval (060409) .....	14
4.10 Distribution of the DD 1415-1 (060410) .....	14
4.11 Congressional Committee Approval of DD 1415 Requests (060411).....	14
4.12 Implementation Memorandums for Reprogramming Actions. (060412) .....	15
4.13 Alternate Letters or Revised Actions for New Sources (060413).....	16
4.14 Withdrawal of Reprogramming Actions (060415) .....	16
5.0 DD 1416, REPORT OF PROGRAMS (0605) .....	17
5.1 General (060501) .....	17
5.2 Due Date (060502).....	17
5.3 Procurement Line Items “Items Less Than \$5 million (060503).....	17
5.4 Program Base Columns Reflecting Congressional Action (060504).....	17
5.5 Detailed Instructions for Preparation (060505).....	18
6.0 REPROGRAMMING OF INTELLIGENCE RESOURCES (0606) .....	18
6.1 Intelligence Reprogramming Guidance (060601).....	18

## Table of Contents (Continued)

6.2	Oversight (060602) .....	18
6.3	Submission Procedures (060603).....	18
6.4	Procedures (060604) .....	19
6.5	Below-Threshold Reprogrammings (060605) .....	19
7.0	REPROGRAMMING OF SPECIAL ACCESS PROGRAMS (0607) .....	19
7.1	Provision in Law (060701).....	19
7.2	General (060702) .....	19
8.0	BELOW-THRESHOLD REPROGRAMMING ACTIONS (0608) .....	19
8.1	Purpose (060801) .....	19
8.2	Guidelines (060802).....	20
9.0	REPLACEMENT OF ITEMS SOLD FROM INVENTORY (0609) .....	21
9.1	Policy (060901).....	21
9.2	Guidelines (060902).....	21
10.0	REPROGRAMMING POLICY FOR CLOSING APPROPRIATION ACCOUNTS (31 U.S.C. 1551 et seq) (0610).....	22
10.1	Definitions of Contract Changes for Reprogramming Purposes (061001) .....	22
10.2	Use of Currently Available Appropriations to Fund Out-Of-Scope Contract Changes (061002).....	22
10.3	Use of Currently Available Appropriations to Fund Obligations or Adjustments to Obligations that Otherwise Would Have Been Funded from a Canceled Appropriation Account (061003).....	23
10.4	Use of Expired Appropriations to Fund Contract Changes (061004).....	24
11.0	NATIONAL GUARD AND RESERVE EQUIPMENT APPROPRIATION NOTIFICATION PROCEDURES (0611) .....	24
11.1	General (061101) .....	24
11.2	Procedures for Revisions to the Summary NGREAC Acquisition Report (061102) .....	24
*12.0	OPERATION AND MAINTENANCE QUARTERLY EXECUTION REPORT (0612) . .....	25
*12.1	Purpose (061201) .....	25
12.2	Submission Requirements (061202) .....	25
12.3	Preparation of Material (061203).....	25
12.4	References (061204) .....	26
12.5	Operation and Maintenance Quarterly Execution Report Exhibit (061205) .....	26
<b>Appendix A Part 4 – Report of Programs .....</b>		<b>37</b>
<b>Appendix B – Operation and Maintenance Budget Execution Data .....</b>		<b>38</b>

## CHAPTER 6

### REPROGRAMMING OF DOD APPROPRIATED FUNDS

#### 1.0 PURPOSE (0601)

#### 1.1 Department for the Reprogramming (060101)

This chapter establishes the policies of the Department for the reprogramming of appropriated funds. Guidance in this chapter reflects recognition by the Congress of the practice of reprogramming DoD funds covered in DoD Appropriations Acts as a necessary, desirable, and timely device for achieving flexibility in the execution of DoD programs. Also, reprogramming policies and procedures for military construction and family housing appropriations covered by the Military Construction Appropriations Act can be found in Chapter 7 and the National Intelligence Program (NIP) reprogramming policies and procedures covered by the National Security Act of 1947, as amended, can be found in section 0606, Reprogramming of Intelligence Resources.

#### 1.2 Reprogramming Procedures (060102)

Procedures are provided for establishing the base for reprogramming actions; submitting, approving, and processing reprogramming actions; and for the report of programs reflecting all supplemental appropriations, rescissions, transfers, and reprogramming actions.

#### 1.3 Reprogramming Policy (060103)

The policy herein replaces reprogramming guidance contained in the March 2011, DOD 7000.14-R, "Financial Management Regulation," Volume 3.

#### 2.0 REPROGRAMMING DOCUMENTS IN GENERAL (0602)

#### 2.1 DD 1414, Base for Reprogramming Actions (060201)

The DD 1414 establishes the base for reprogramming actions and transfers. The report shall include a table for each appropriation enacted in the annual Department of Defense Appropriations Act, with separate columns to display the Program Base Presented to Congress, Approved Changes Prior to Congressional Action (e.g., budget amendments or other changes to the budget formally submitted an appropriations committee), Changes Reflecting Congressional Action (e.g., project level adjustments or undistributed rescissions as indicted in Conference Reports), and the Program Base Reflecting Congressional/Presidential Action. Tables for each appropriation shall delineate each budget activity and program, project, and activity established in administration budget justification materials or in the Conference Report accompanying enacted funding bills. Each budget activity and program, project, and activity shall be footnoted to identify those items known to be of special interest to one or more of the congressional committees and those items specifically denied by the Congress. The items should include, as a minimum, those items for which additional funds have been provided or items for which funding is specifically

reduced as shown in the project level table or in paragraphs using the phrases “only for” or “only to” or are congressional special interest items for the purpose of the Base for Reprogramming (DD Form 1414).

## 2.2 DD 1415, Reprogramming Action (060202)

Reprogramming actions, upon approval of the Department, will be used to request the prior approval (DD 1415-1) [of the congressional committees to realign or transfer appropriated funds](#) or for internal reprogramming (DD 1415-3) requiring audit-trail type documentation of the [realignment or transfer of appropriated funds](#).

## 2.3 DD 1416, Report of Programs (060203)

The DD 1416 report reflects the congressionally approved programs as enacted, reprogramming actions which have been approved, congressionally directed undistributed amounts and transfers, and reprogramming of funds that have been implemented by a DoD Component using below-threshold reprogramming flexibility. This report is generated in the [Enterprise Funds Distribution \(EFD\) system](#), quarterly and submitted 30-days after the end of each quarter, electronically to the congressional defense committees by the Under Secretary of Defense (Comptroller) (OUSD(C)), Program and Financial Control Directorate (P&FC), for Title III, Procurement, and Title IV, Research, Development, Test, and Evaluation and annually [for Title I, Military Personnel, and Title II, Operation and Maintenance appropriations](#).

## 3.0 DETAILED PROCEDURES FOR BASE FOR REPROGRAMMING ACTIONS (0603)

### 3.1 General (060301)

The DD Form 1414, Base for Reprogramming Actions, establishes the base from which reprogramming actions may be taken. It identifies line items within each appropriation covered in the DoD Appropriations Acts.

### 3.2 Due Date (060302)

Within 30 days following enactment of the Department of Defense (DoD) Appropriations Act, the Components will submit their DD 1414, Base for Reprogramming Actions to OUSD(C) P&FC to ensure the Department can submit the Base for Reprogramming Actions to the congressional committees within 60 days of enactment as required by recurring general provisions in DoD Appropriations Acts (e.g., section 8007 of division C of Public Law 113-235, the Department of Defense Appropriations Act, 2015). The DoD Components will submit their DD 1414 through the [Enterprise Funds Distribution \(EFD\) system](#), for review prior to submission to the congressional committees.

### 3.3 Transmittal (060303)

Upon determination by the OUSD(C) P&FC that the Base for Reprogramming Action is acceptable, OUSD(C) P&FC will submit to OMB, pursuant to OMB Circular A-11, section 22.3.

After clearance by OMB, the OUSD(C) P&FC will prepare for printing and transmittal to the congressional committees. Final printed copies will be distributed to the DoD Components as well as posted on the Comptroller public website.

### 3.4 Security Classification (060304)

In order facilitate use by the staffs of the congressional defense oversight committees, the Department will submit an unclassified report. Therefore, each Service shall submit an unclassified DD 1414 and OUSD(C) P&FC will be responsible for proper security review prior to publication. All classified programs should be consolidated into a single line item titled Classified Programs and should be displayed at the end of the Direct Program section.

### 3.5 Detailed Instructions for Preparation of the DD 1414 (060305)

Detailed instructions for the Base for Reprogramming Actions for the initial appropriations act are provided in the appendices to this chapter.

## 4.0 REPROGRAMMING ACTIONS (0604)

### 4.1 Reprogramming Actions Requiring Written Congressional Approval (060401)

Two types of reprogramming actions will be used to request the prior approval of the congressional defense committees. Both requests are submitted using DD 1415-1, Prior Approval. The first type is for specific requirements, [which usually are combined and submitted monthly](#). [The second type is the annual Omnibus reprogramming action submitted prior to June 30 of each year](#), which was established in Fiscal Year (FY) 1991 to streamline the reprogramming process for the congressional committees and the Department. With the exception of [reprogrammings of National Intelligence Program resources \(paragraph 060604\)](#), the USD(C) submits all reprogramming actions to the congressional defense committees. The Department is expressly prohibited from preparing or forwarding to the Congress a prior approval reprogramming action except “for higher priority items, based on unforeseen military requirements, than those for which originally appropriated and in no case where the item for which reprogramming is requested has been denied by the Congress.” It is the Department’s policy that reprogramming actions, which require prior approval of the congressional committees (DD 1415-1), are those which involve the application of funds that:

4.1.1. Increase the procurement quantity of a major end item, such as an individual aircraft, missile, naval vessel, tracked combat vehicle, and other weapon or torpedo and related support equipment for which funds are authorized. (In such cases where specific congressional language is provided allowing for additional quantities to be procured within appropriated funds, increases to quantities for major end items shall be submitted to the USD(C) for approval as a DD 1415-3, Internal Reprogramming action.)

4.1.2. Affect an item that is known to be or has been designated as a matter of special interest to one or more of the congressional committees. In rare instances, when funds from special interest items are to be reprogrammed from an existing program, subprogram, project, or

subproject to another program, subprogram, project, or subproject within the same procurement line item or program element, letter notification to the congressional committees may be made. Letters shall be submitted to the congressional committees by the DoD Component involved only after advance coordination with the applicable OUSD(C) P/B Directorate.

4.1.3. Use general transfer authority. Any movement of funds between appropriations or legal subdivisions requires statutory transfer authority. Unless specific transfer authority is provided elsewhere, general transfer authority, which is provided in annual DoD Appropriations and Authorization Acts, must be used. Any movement of funds from supplemental appropriations also uses the general transfer authority provided in the annual DoD Appropriations Act. Section 2214 of Title 10 of the United States Code (U.S.C.) and the annual Appropriations Act provide limitations on programs for which general transfer authority may be used. Such authority may not be used except to provide funds for a higher priority item, based on unforeseen military requirements, than the items for which funds were originally appropriated, and may not be used if the Congress has denied funds for the item. Exceptions to the use of a DD 1415-1, Prior Approval Reprogramming action, may apply if reclassification of programs to the proper appropriation for execution is required (i.e., these actions do not change the purpose for which the funds were originally appropriated). (See paragraph 060402A).

4.1.4. Exceed thresholds agreed upon between the committees. Effective for FY 2015, the basic reprogramming thresholds agreed upon between the committees and the Department are: \$10 million for military personnel; \$15 million for operation and maintenance; \$20 million for procurement; and \$10 million for research, development, test, and evaluation. These thresholds are cumulative from the base for reprogramming value as modified by any congressional action, to include the initial appropriation, rescissions, supplemental appropriations, and approved DD 1415 reprogramming actions. The BTR limitation is the net value of transfers into or out at the specified level. For example, transfers using Below Threshold Reprogramming (BTR) authority of \$5.0 million out of an RDT&E PE line item and transfer of \$4.0 million into the same RDT&E PE line item would result in a total amount transferred of \$1.0 million, with the consequence that the \$1.0 million of BTR authority was used. The thresholds agreed upon between the committees and the Department are as follows:

4.1.4.1. Military Personnel. A cumulative increase of \$10 million or more in a budget activity.

4.1.4.2. Operation and Maintenance. A cumulative increase or decrease of \$15 million or more to a budget activity or to a Defense Agency for Operation and Maintenance, Defense-Wide appropriation. When the congressional committees impose reprogramming thresholds on specific sub-activity group categories, these threshold amounts are separately identified on the DD 1414, Base for Reprogramming Actions, and reprogramming restrictions apply. For example for FY 2015, congressional committees imposed reprogramming thresholds on specific sub-activity group categories.

4.1.4.2.1. The committees required the Department to follow Prior Approval procedures for transfers in excess of \$15.0 million **out** of the following budget sub-activities:

4.1.4.2.1.1. **Army:** Maneuver units; modular support brigades; land forces operations support; force readiness operations support; land forces depot maintenance; base operations support; and facilities sustainment, restoration, and modernization.

4.1.4.2.1.2. **Navy:** Aircraft depot maintenance; ship depot maintenance; and facilities sustainment, restoration, and modernization.

4.1.4.2.1.3. **Marine Corps:** Depot maintenance and facilities sustainment, restoration, and modernization

4.1.4.2.1.4. **Air Force:** Primary combat forces; combat enhancement forces; combat communications; and facilities sustainment, restoration, and modernization.

4.1.4.2.1.5. **Air Force Reserve:** Depot maintenance.

4.1.4.2.1.6. **Air National Guard:** Depot maintenance.

4.1.4.2.2. The committees required the Department to follow Prior Approval procedures for transfers in excess of \$15.0 million **into** the following budget sub-activity:

4.1.4.2.2.1 **Army National Guard:** Other personnel support/recruiting and advertising.

4.1.4.2.3. **Defense-Wide O&M:** transfer of funds to or from the levels specified for defense agencies in excess of \$15.0 million shall be subject to a PA reprogramming action.

4.1.4.2.4. For FY 2015, the committees further require the Services, with Comptroller coordination, to provide written notification not later than 15-days prior to implementing transfers in excess of \$15.0 million **out** of the following budget sub-activities:

4.1.4.2.4.1. **Navy:** Mission and other flight operations and mission and other ship operations

4.1.4.2.4.2. **Air Force:** Operating forces depot maintenance; mobilization depot maintenance; training and recruiting depot maintenance; and administration and service-wide depot maintenance.

4.1.4.2.5. Defense Health Program: For FY 2015, any transfer of funds from the In-House Care budget sub-activity to any other sub-activity shall be subject to a PA reprogramming action. In addition, any cumulative transfer of funds in excess of \$10,000,000 from the Private Sector Care sub-activity requires written notification to the congressional defense committees not later than fifteen days after such a transfer occurs.



4.1.4.2.6. The above requirements were set forth in reprogramming guidelines in the explanatory statement accompanying the DoD Appropriations Act, 2015 and are subject to change in conference reports accompanying future appropriations acts.

4.1.4.3. Procurement. A procurement program is defined by the items included in the DD 1414, Base for Reprogramming Actions.

4.1.4.3.1. Increases. A cumulative increase of \$20 million or more or 20 percent of the program base amount, which includes the initial appropriation, rescissions, supplemental appropriations, and approved DD 1415 reprogrammings (i.e., cumulative over the entire obligational availability of a specific year appropriation), whichever is less.

4.1.4.3.2. Decreases. A cumulative decrease of \$20 million or more, or 20 percent of the program base amount, which includes the initial appropriation, rescissions, supplemental appropriations, and approved DD 1415 reprogramming (i.e., cumulative over the entire obligational availability of a specific year appropriation), whichever is less.

4.1.4.4. Research, Development, Test, and Evaluation (RDT&E). A research program is defined by the items included in the DD 1414, Base for Reprogramming Actions.

4.1.4.4.1. Increases. A cumulative increase of \$10 million or more or 20 percent of the program base amount, which includes the initial appropriation, rescissions, supplemental appropriations, and approved DD 1415 reprogramming (i.e., cumulative over the entire obligational availability of a specific year appropriation), whichever is less.

4.1.4.4.2. Decreases. A cumulative decrease of \$10 million or more, or 20 percent of the program base amount, which includes the initial appropriation, rescissions, supplemental appropriations, and approved DD 1415 reprogramming (i.e., cumulative over the entire obligational availability of a specific year appropriation), whichever is less.

4.1.5. Initiates a new start. A new start program for RDT&E is a new program element or project, or a major component thereof, as determined by specific supporting information provided in the R-2 and R2A (RDT&E Budget Item/Project Justification) exhibits not previously justified by the Department and funded by the Congress through the normal budget process is considered to be a new start. A new start program for Procurement is a new procurement line item or major component thereof, as determined by specific supporting information provided in the P-5 (Cost Analyst) or P40A (Budget Items Just for Aggregated Items) exhibits not previously justified. Congressional committees discourage the use of the reprogramming process to initiate programs. Except for extraordinary situations, consideration will not be given new start reprogramming requests for which the follow-on funding is not budgeted or programmed. Funding for new starts may not be obligated without prior approval or written notification (see paragraphs 060403 and 060404). A program effort in one year in the Procurement and RDT&E accounts may be extended into a subsequent fiscal year without constituting a new start. This is considered an extension of the effort initiated in the prior year program, and could include a skip year for execution purposes. When this occurs, the program should be footnoted as such on the DD 1416, Report of Programs, with sufficient justification for the extension. Due to the characteristics of Military Personnel and



Operation and Maintenance programs, new starts seldom occur in those appropriations. New starts in these appropriations would be significant new programs, efforts, or activities that have not been explicitly justified to the Congress in budget justification material. An example would be the establishment of a Pacific Distribution System. In some instances, a letter notification may be appropriate in these circumstances but only with the explicit approval of the USD(C).

The DD 1415-1 should include a brief description of the total program being initiated, and of the total cost of the program and of proposed funding and procurement quantities by fiscal year. It should provide enough background information to demonstrate that the item is ready for research or procurement include explanation as to why the program must be initiated now and, if a budget line is not already included in a budget currently under Congressional consideration, an explanation of how subsequent years' funding will be provided. The Department will not approve new starts that do not have budgeted or programmed follow-on funding. The DD 1415-1 must also explain why the source funds are no longer needed and any impact. See paragraph 060404 for failure to provide proper notification.

#### 4.1.6. Terminates Appropriated Programs:

4.1.6.1. Eliminates a procurement program, or a subprogram, of \$20 million or more.

4.1.6.2. Eliminates a RDT&E program element, project, or subproject of \$10 million or more.

See paragraph 060403D for terminations falling within below-threshold limits.

4.1.7. Use Proceeds for Replacement of Certain Items Sold from Inventory. Prior congressional approval obtained using a DD 1415-1 is required when proceeds from items sold from inventory are used to acquire an asset that is not a "like replacement" item (e.g., that is not of identical type, model, and series designation). Such requests may be included either as a separate part within the monthly reprogramming, or submitted as a separate, stand-alone DD1415-1 action. See section 0609 for additional information and guidance.

## 4.2 Internal Reprogramming Actions (060402)

DD 1415-3, Internal Reprogramming, actions are audit-trail type actions processed within the Department to serve various needs. One is to reclassify funds for proper execution into a different line item, program element, or appropriation than that in which the funds were appropriated. Another includes reprogramming to or from transfer accounts. A third reflects approval to increase quantities, when not otherwise requiring prior approval of the congressional committees.

4.2.1. Reclassification Actions. In certain instances, it is necessary to reclassify funds to a different line item, program element, or appropriation than that in which the funds were appropriated by the Congress. Such reclassifications do not involve any change in the substance of the program; the funds will be used for the same purposes originally contemplated and budgeted for, testified to, and described in the justifications submitted to the congressional committees, and

subsequently appropriated by the Congress. These actions may also involve realignment of congressionally added programs that are more appropriately executed in a different program line or in a different account than the line or account in which the funds were appropriated. In cases where the realignment is between DoD appropriations, then the use of general transfer authority would be involved, along with the legal requirements thereof.

4.2.2. Transfer Appropriations. Transfer accounts are those appropriations with funding that will be subsequently transferred to other appropriations for execution. These accounts include, but are not limited to: Environmental Restoration, Army; Environmental Restoration, Navy; Environmental Restoration, Air Force; Environmental Restoration, Defense-Wide; Environmental Restoration, Formerly Used Defense Sites, Drug Interdiction and Counter-Drug Activities, Defense; Overseas Contingency Operations Transfer Fund; Foreign Currency Fluctuations, Defense; and Foreign Currency Fluctuations, Construction, Defense. Movement of funds from these accounts to other appropriations is generally exempt from the use of general transfer authority.

4.2.3. Procurement Quantities. Approval for increases to procurement quantities for major end items, not otherwise requiring prior approval of the congressional committees.

#### 4.3 Letter Notifications [to Congress](#) (060403)

Letter notification to the congressional committees is required in advance of initiating requirements for:

4.3.1. A new procurement line item not otherwise requiring prior approval action.

4.3.2. A new procurement line item or major component thereof costing less than \$20 million for the entire effort.

4.3.3. Establishment of new development programs costing less than \$10 million for the entire effort.

4.3.4. Initiation of safety programs or safety modifications costing less than \$20 million for the entire effort; can be initiated immediately following congressional notification.

4.3.5. Termination of programs falling within the below threshold reprogramming amounts (procurement programs or subprograms costing less than \$20 million; RDT&E programs, projects, or subprojects costing less than \$10 million) as long as the procurement line item or RDT&E program element is not eliminated.

4.3.6. Identification of specific line items to satisfy specific transfer notification requirements established by Congress.

Congress requires a 30-day notification to the Defense Committees prior to implementation. The Component may implement the reprogramming action 30-days after congressional notification unless an objection is received from a committee.

#### 4.4 Failure to Provide Proper Notification (060404)

Recurring general provisions in DoD Appropriations Acts (e.g., [section 8077 of division C of Public Law 113-235, the Department of Defense \(DoD\) Appropriations Act, 2015](#)) prohibit use of funds made available through a reprogramming that creates or initiates a new program, project, or activity unless such program, project, or activity must be undertaken immediately in the interest of national security and only after written prior notification to the congressional defense committees.

#### 4.5 Transfer Authority (060405)

Any movement of funds between appropriations or legal subdivisions requires transfer authority. There are at least five types of transfer authorities:

4.5.1. Transfer Appropriations. Authority for Transfer Fund appropriations is contained in the annual DoD Appropriations Act.

4.5.2. Foreign Currency Fluctuations. Authority for the Foreign Currency Fluctuations, Defense, appropriation is contained in Public Law 95-457 (92 Stat. 1236) and section 2779 of Title 10 of the U.S.C. Authority for the Foreign Currency Fluctuations, Construction, Defense, appropriation is contained in section 121 of Public Law 99-591, section 2779 of Title 10, U.S.C., and the annual Military Construction Appropriations Act.

4.5.3. General Transfer Authority (GTA). The use of GTA is required for transfers between appropriations and legal subdivisions, when other specific authority is not provided. It is included in a general provision in the annual DoD Appropriations Act and is authorized in the annual National Defense Authorization Act, most recently [section 8005 of division C of Public Law 113-235, the DoD Appropriation Act, 2015, and section 1001 of the annual National Defense Authorization Act for FY 2015, Public Law 113-291](#). When GTA is used, the Secretary of Defense must make a determination that such action is necessary in the national interest. The OMB must also approve the use of GTAs. For prior approval reprogramming actions that use GTA, OMB must approve transmittal of the action before the Department forwards to the congressional defense committees. The OMB apportions funds that use GTA after congressional approval is received for prior approval actions or the internal reprogramming action [has been approved and signed by USD\(C\)](#). Beginning with the DoD Appropriations Act, 2009, recurring general provisions have incorporated into law the funding levels specified in certain tabular entries in [appropriations act explanatory statements or conference reports \(e.g., section 8006 of the DoD Appropriation Act, 2015\)](#). Such recurring general provisions provide that where funding levels specified in Project Level Adjustment Tables for a particular program, project, or activity exceed the amount requested, that program, project, or activity must be carried out at the prescribed level. Amounts specified in such project level adjustment tables **are not** subdivisions of appropriations for purposes of GTA, and may be transferred or reprogrammed after appropriate congressional notification. [Any transfers among military personnel appropriations shall not be taken into account for purposes of the limitation on the amount of funds that may be transferred under GTA.](#)

4.5.4. Intelligence Programs. Authority for transfers in intelligence programs is specified in paragraph 060601.

4.5.5. Special. Additional transfer authority for special situations is contained in various sections of Title 10 of the U.S.C. and in annual National Defense Authorization and Appropriations Acts. Section 127a of Title 10, U.S.C., provides limited transfer authority in the case of certain operations. Use of this transfer authority requires the use of prior approval reprogramming procedures.

#### 4.6 Detailed Instructions and Formats for Preparation of DD 1415 (060406)

Detailed instructions for DD 1415-1 (Prior Approval) and DD 1415-3 (Internal Reprogramming) are provided in the appendices to this chapter. Templates are available by contacting the OUSD(C) P&FC reprogramming point of contact at 703-697-0022 (DSN 227-0022).

#### 4.7 Submittal by Components (060407)

Military Departments must submit proposed DD 1415 actions formally by a signed memorandum addressed to the USD(C) from the Assistant Secretary (Financial Management and Comptroller) of the Military Department. Requests from a Defense Agency must be signed by its Comptroller (or equivalent official). Such requests must be submitted electronically, and all requests are due the 5<sup>th</sup> work day of the month for inclusion in the monthly reprogramming submission. When a prior approval reprogramming for investment programs is required to initiate a new start (paragraph 060401E) or to terminate a program (060401F), a copy should also be provided to the Office of Under Secretary of Defense for Acquisition, Technology and Logistics; Director, Acquisition Resources & Analysis. For all reprogramming actions, the DD 1415 must be submitted to OUSD(C) P&FC, through the EFD system. The classified details must be provided at the same time in an electronic submission to OUSD(C) via the SIPRNET. The OUSD(C) will ensure that proposed reprogramming actions affecting the NIP resources are provided to the Office of the Director for National Intelligence (ODNI). The OUSD(C) will ensure that proposed reprogramming actions affecting MIP resources are provided to the Undersecretary of Defense (Intelligence), and consistent with section 102A(d)(1)(B) of the National Security Act of 1947 (50 U.S.C. § 3024(d)(1)(B)) shall consult with the ODNI Office of Chief Financial Officer before transferring or reprogramming funds made available by Congress specifically for the MIP. The DoD Component memorandum shall include the following:

4.7.1. Reprogramming actions outside the Omnibus reprogramming to the congressional committees, will only be made for those actions involving critical requirements or unforeseen circumstances that cannot wait for implementation of the Omnibus due to contract award dates or other time sensitive reasons. In these cases, individual reprogramming actions will be entertained, and the transmittal memorandum must clearly define the urgency of the requirement. Ordinarily, such urgent requirements shall be combined for inclusion in a monthly reprogramming submission the congressional committees.

4.7.2. A statement that the DD 1415-1 Prior Approval reprogramming action has been cleared by the DoD Directorate for Freedom of Information and Security Review, Washington Headquarters Services. The copy with the original "Cleared for Open Publication" stamp should accompany the transmittal memorandum.

4.7.3. Because the DD 1415 actions are now being posted on the Comptroller's Home Page on the World Wide Web, the DD 1415 reprogramming action should not refer to or identify the intelligence resources. Therefore, the cover letter transmitting the DD 1415 to the OUSD(C) must contain a statement that the reprogramming does or does not affect MIP or NIP resources. If NIP resources are affected, the reprogramming should be cleared with the ODNI, and the cover letter should state that this has been done.

4.7.4. Identification of any new starts being requested, and whether the new starts were approved by a Secretary's decision document during the Program/Budget review or other action.

#### 4.8 Signed DD 1415s (060408)

The USD(C) has the authority to sign all reprogramming actions, and upon signature the reprogrammings are returned to OUSD(C) P&FC for further processing. A DoD Serial Number, in sequence, will be added to the signed DD 1415.

#### 4.9 OMB Approval (060409)

Any reprogramming action using general transfer authority and/or special transfer authority must have a Secretary of Defense Determination documenting that the transfer is necessary in the national interest. The authority to make that determination has been delegated to the OUSD(C), Deputy Comptroller, Program/Budget. For prior approval reprogramming actions using general transfer authority and or special transfer authority, OMB must also approve the transmittal of the DD 1415-1 before forwarding the action to the congressional defense committees. The OUSD(C) shall obtain formal OMB apportionment for the specific transfer of funds after congressional responses on the action are received and final results on implementation of the action are determined.

#### 4.10 Distribution of the DD 1415-1 (060410)

The DD 1415-1 is e-mailed to the House Appropriations Committee (HAC), House Armed Services Committee (HASC), Senate Appropriations Committee (SAC), and Senate Armed Services Committee (SASC). A copy of the DD 1415 and the transmittal date will be e-mailed to the submitting DoD Component. After being notified that the DD 1415 has been submitted to the congressional committees, the DoD Component will ensure that the congressional committees receive any classified information that is to be submitted under separate cover.

#### 4.11 Congressional Committee Approval of DD 1415 Requests (060411)

4.11.1. Approval for a Prior Approval Reprogramming Action (DD 1415-1) is obtained by letter from the congressional committees prior to implementation of the action. Each separate

committee response is taken into account, and final implementation by OUSD(C) P&FC of the action reflects the lowest of the approvals received for proposed sources and increases. Occasionally the action is implemented for less than originally requested due to the denial of increases or sources.

4.11.2. As copies of the congressional committee approval letters are received, e-mail notification will be made to the applicable DoD Components and OUSD(C), Deputy Comptroller, Program/Budget appropriation managers. When the final committee approval has been received, an OUSD(C) P&FC implementation memorandum will be prepared. The implementing letter will attach copies of the approved DD 1415, data sheets, Secretary of Defense Determination, and committee letters, as applicable.

4.11.3. No reprogramming request will be approved if the funds requested have been obligated or committed [prior](#) to congressional committee review and approval. The obligation of funds prior to consideration by the congressional defense committees denies them a realistic option to deny the request. Such a procedure places the committee(s) in the position of having to approve the request or deny all funds for the continuation of the program in the latter part of the fiscal year. Also, funds that have already been identified for a below-threshold reprogramming should not be incorporated into the DD 1415 unless the funds have not yet been obligated on the new requirement. (If this occurs, the funds cannot be obligated until congressional approval is received).

4.11.4. Reprogramming hearings, questions, and transcripts will be handled by each Component involved, unless there is an OSD principal witness.

4.11.5. If the congressional committees have denied a reprogramming increase, DoD policy prohibits use of a series of below-threshold reprogramming actions as a means to finance the requested increase. However, below-threshold reprogramming authority may be used to finance increases on reprogramming actions that were approved by the congressional committees, but were not able to be accommodated within the implementation process, as long as the below-threshold reprogramming actions otherwise do not: [exceed a threshold limitation, such as below-threshold reprogramming limitations on realignment of funds into or out of a budget line](#); affect an item of special congressional interest item; or have not been specifically denied by a congressional committee as a reprogramming source. This policy has evolved out of recognition of there being congressionally-approved increases within [monthly](#) and Omnibus reprogramming actions that were unable to be funded in the USD(C) implementation memorandum, due to a lack of congressionally-approved sources. [However, in recent years, Components have been required to provide advance written notification to the congressional defense committees prior to the USD\(C\) undertaking a below-threshold reprogramming to implement approved sources.](#)

#### 4.12 Implementation Memorandums for Reprogramming Actions. (060412)

4.12.1. After all approvals have been obtained for a reprogramming action, a memorandum signed by the Director for Program and Financial Control will be provided to the applicable Components.



4.12.2. If the reprogramming action includes an appropriation transfer, the implementing memorandum will include instructions (data sheet) for processing the SF 1151, Nonexpenditure Transfer Authorization, and include a copy of the combined Secretary of Defense Determination and OMB Approval document approving the transfer.

4.12.3. Along with normal distribution, the implementation memorandum will be e-mailed to the applicable DoD Component and to the appropriate OUSD(C), Deputy Comptroller, Program/Budget appropriation manager(s), so that funds may be released.

#### 4.13 Alternate Letters or Revised Actions for New Sources (060413)

4.13.1. Reprogramming actions may be submitted prior to or after the monthly or Omnibus Reprogramming Actions. When sources are denied by a congressional committee, new sources to fund the requested increase may be submitted in DD 1415 format or letter format. Except in the most unusual circumstances, alternate sources for items denied in the [monthly](#) or Omnibus Reprogramming Action will not be submitted to the congressional committees.

4.13.2. Revised actions or letters for the signature of the USD(C) should be prepared by the submitting DoD Component. Normal reprogramming procedures apply for processing the revised actions or letters to the congressional committees.

4.13.3. The committees have request that the original reprogramming request be furnished when identifying a new source of funds.

The USD(C) may appeal the decision of a committee on a reprogramming action. All proposed appeals to committees initiated by a DoD Component shall be forwarded by memorandum to the USD(C) for further processing within the Department. Any action on a reprogramming subsequent to its original submission to the committees is subject to the same procedures as the original reprogramming.

#### 4.14 Withdrawal of Reprogramming Actions (060415)

4.14.1. When approval of a reprogramming action that was submitted to the congressional committees, but not fully approved, is no longer required, then that action should be formally withdrawn from congressional committee consideration. The need for withdrawal may result when too much time has elapsed for the proposed increase to go under contract or when proposed sources are needed to fund a higher priority reprogramming than that originally submitted.

4.14.2. Withdrawal letters for the signature of the USD(C) should be prepared by the submitting DoD Component. Normal reprogramming procedures apply for processing the letters to the congressional committees.

4.14.3. Sufficient rationale on the reason for withdrawal should be provided to the congressional committees so they will not question why the action was originally submitted for their approval. If one or more committees have already approved the action, letters should be written to those committees expressing appreciation for their approval.

## 5.0 DD 1416, REPORT OF PROGRAMS (0605)

### 5.1 General (060501)

The DD 1416, Report of Programs, reflects the congressionally approved programs as enacted, supplemental funding, rescissions, implemented reprogramming actions, congressionally directed undistributed amounts and transfers, and below-threshold reprogramming actions that are implemented by a DoD Component. The amounts on the DD 1416 for column should be identical to the amounts on the DD 1002, Appropriation Status by Fiscal Year Program and Subaccounts, column b (column d for Active Operation and Maintenance appropriations) for comparable “as of dates” and stub entries. Amounts should only deviate when reconcilable differences exist due to posting errors in the DD 1002.

### 5.2 Due Date (060502)

The DD 1416, Report of Programs is submitted quarterly 30-days after the end of each quarter for Title III, Procurement, and Title IV, Research, Development, Test, and Evaluation, and will include all implemented reprogramming actions through that date, together with below-threshold reprogrammings made by the DoD Components through that date. The due dates for these reports shall be approximately 30-days after the end of each quarter. *The DoD Component will certify their submission through the EFD system of the quarterly DD 1416, Report of Programs, to OUSD(C), P&FC.* The DD 1416 for Title I, Military Personnel, and Title II, Operation and Maintenance, appropriations will be submitted annually, 30-days after the end of the fiscal year.

### 5.3 Procurement Line Items “Items Less Than \$5 million (060503)

“For programs that are included in an “Items Less Than \$5 Million” line item, the program or cost growth will be accommodated within the below-threshold authority for the total line item value. The amount of growth to an individual program or to the aggregate line item total cannot exceed the dollar threshold of \$20.0 million or 20 percent, whichever is less.

### 5.4 Program Base Columns Reflecting Congressional Action (060504)

Changes due to supplemental appropriations and rescissions will be shown in a separate column from the basic Appropriations Act. Additionally, general provision reductions that are to be proportionately allocated to “each program, project, and activity” within each applicable appropriation account will be reflected in this column. The combination of the “Program Base Reflecting Basic Congressional Action” and “Program Base Adjustments Reflecting Enacted Supplementals and Rescissions” columns shall be used for determining how much of the procurement and RDT&E appropriations can be decreased based on percentages when determining the amount that can be reprogrammed using below-threshold authority.



## 5.5 Detailed Instructions for Preparation (060505)

Reimbursable program or order amounts are not required unless reimbursable funding was used for the direct program. Detailed instructions for the DD 1416 are provided in the appendix to this chapter.

## 6.0 REPROGRAMMING OF INTELLIGENCE RESOURCES (0606)

### 6.1 Intelligence Reprogramming Guidance (060601)

6.1.1. National Intelligence Program (NIP): Section 102A of the National Security Act of 1947 (50 U.S.C. 3024) authorizes the Director of National Intelligence (DNI) to transfer or reprogram funds appropriated for a program within the National Intelligence Program (NIP) to another NIP effort. No NIP funds may be transferred or reprogrammed without the prior approval of the DNI, except in accordance with procedures prescribed by the DNI. For initiating and processing reprogrammings involving the NIP, use applicable guidance issued by the Office of the Director of National Intelligence (ODNI) Chief Financial Officer.

6.1.2. Military Intelligence Program (MIP): Reprogramming requirements set forth in section 0604 apply to reprogramming MIP intelligence resources. Further policies specific to MIP below-threshold reprogrammings are set forth in DoD Directive 5205.12, Military Intelligence Program (MIP), enclosure 2, paragraph 1.i. Additionally, as provided for in paragraph 060407, OUSD(C) will consult with the Office of the DNI Chief Financial Officer before transferring or reprogramming funds made available by Congress specifically for the MIP as required by section 102A(d)(1)(B) of the National Security Act of 1947 (50 U.S.C. § 3024).

### 6.2 Oversight (060602)

The House Permanent Select Committee on Intelligence (HPSCI) and the Senate Select Committee on Intelligence (SSCI) have oversight jurisdiction over the NIP. All NIP reprogrammings require prior approval from the HPSCI, SSCI, House Appropriations Committee (HAC), and Senate Appropriations Committee (SAC). Reprogrammings affecting the MIP require prior approval from the HPSCI, House Armed Services Committee (HASC), Senate Armed Services Committee (SASC), HAC, and SAC. Notwithstanding that per agreements among the various congressional committees the SSCI has jurisdiction over the NIP only, the Department does provide the SSCI an information copy of reprogramming of non-intelligence funds into the MIP in satisfaction of section 504 of the National Security Act of 1947 (50 U.S.C. § 3094). Additionally, the Department provides the SSCI an information copy of reprogramming actions within the MIP.

### 6.3 Submission Procedures (060603)

In addition, to applicable section 0604 procedures, including indication within cover letters whether MIP or NIP resources are affected, the following additional requirements apply to intelligence resource reprogrammings:

6.3.1. Because DD 1415 reprogramming actions are posted on the Internet, the DD 1415 must not refer to or identify specific intelligence programs or resources.

6.3.2. All classified reprogramming requests must be coordinated with the Directorate for Investment. Components are required to clearly identify classified actions as part of their reprogramming submission. Concurrent with their reprogramming request submission, Components are to separately provide; the classified details in electronic format to the appropriate Comptroller POCs.

#### 6.4 Procedures (060604)

The same procedures apply to reprogramming intelligence resources as provided in paragraph 0604 with the following exception. For processing reprogrammings involving the NIP, contact the Office of the Director of National Intelligence (ODNI) for specific guidance. Because DD 1415 reprogramming actions are now being posted on the Internet, the DD 1415 must not refer to or identify specific intelligence programs or resources. Cover letters transmitting proposed DD 1415s to the OUSD(C) should contain a statement that the reprogramming does or does not affect NIP/MIP resources.

#### 6.5 Below-Threshold Reprogrammings (060605)

For processing below-threshold reprogrammings involving the NIP, contact the Office of the Director of National Intelligence (ODNI) for specific guidance.

### 7.0 REPROGRAMMING OF SPECIAL ACCESS PROGRAMS (0607)

#### 7.1 Provision in Law (060701)

The annual DoD Appropriations Act states: “Funds appropriated by this Act may not be used to initiate a special access program without prior notification 30 calendar days in session in advance to the congressional defense committees.”

#### 7.2 General (060702)

For other than reprogrammings of new starts as stated in paragraph 060701, normal reprogramming procedures as described in this chapter apply to special access programs.

### 8.0 BELOW-THRESHOLD REPROGRAMMING ACTIONS (0608)

#### 8.1 Purpose (060801)

Below-threshold reprogramming actions provide DoD Components with the discretionary flexibility to realign, within prescribed limits, and congressionally approved funding to satisfy unforeseen, higher priority requirements. As with DD 1415 reprogrammings, below-threshold actions must net to zero.

## 8.2 Guidelines (060802)

8.2.1. Below-threshold reprogramming actions are minor actions not otherwise requiring congressional approval that may be accomplished within the DoD Components and are measured cumulatively over the entire obligation availability of the appropriation. Reprogramming thresholds apply to increases and decreases made to line items in the Procurement and RDT&E accounts. Below-threshold amounts for the Military Personnel are measured by increases as well as Operation and Maintenance accounts are measured by increases and decreases. When the congressional committees impose reprogramming thresholds on specific sub-activity group categories, these threshold amounts are separately identified on the DD 1414, Base for Reprogramming Actions, and reprogramming restrictions apply. Any action, when combined with other below-threshold reprogramming actions for the same budget activity, line item or program element, must not exceed the established threshold in total, except when thresholds are exceeded due to the provisions of 31 U.S.C. 1551 et seq.

8.2.2. Threshold amounts agreed upon among the committees and the Department are contained in paragraph 060401D. New start programs cannot be initiated using below-threshold authority (see paragraphs 060401E and 060404).

8.2.3. Normal reprogramming thresholds will not apply based on 31 U.S.C. 1551 et seq. when currently available appropriations are used to fund obligations or adjustments to obligations, which would otherwise have been funded from a canceled account before it was canceled. Within an appropriation, reprogramming thresholds may be exceeded in currently available appropriations for increases or sources used to finance the “Canceled Account Adjustments” line item. If reprogramming thresholds are exceeded for increases or sources to finance these obligations or adjustments to obligations, then column “k,” “Below-Threshold Actions not Requiring Approval by the SECDEF or Committees” of the DD 1416 should be footnoted to indicate that the threshold amount has been exceeded due to canceled account adjustments.

8.2.4. If the congressional committees have denied a reprogramming increase, DoD policy prohibits the use of a series of below-threshold reprogramming actions to finance the requested increase. However, below-threshold reprogramming actions that preceded the congressional denial will be recognized as valid.

8.2.5. Below-threshold reprogramming authority may be used to finance increases on reprogramming actions that were approved by the congressional committees, but were not able to be accommodated within the implementation process, as long as the below-threshold reprogramming actions otherwise do not exceed below-threshold reprogramming limitations on realigning funds into or out of a program line; affect an item of special congressional interest item; or have not been specifically denied by a congressional committee as a reprogramming source. This policy has evolved out of recognition of there being congressionally-approved increases within monthly and Omnibus reprogramming actions that were unable to be funded in the USD(C) implementation memorandum, due to a lack of congressionally-approved sources. However, in recent years, Components have been required to provide advance written notification to the congressional defense committees prior to the USD(C) undertaking a below-threshold reprogramming to implement approved sources.

8.2.6. The below-threshold authority computation starts with the quantity of end items and amount of funds appropriated to a specific line item by the Congress. These baseline amounts are reflected in columns h and i on the DD Form 1414, Base for Reprogramming Actions; in the BTR column on the DD Form 1416, Report of Programs. The baseline is changed by supplemental appropriations, rescissions, directed general provisions reductions, and approved DD 1415 reprogramming actions, which are reflected in the appropriate columns of the DD 1416. The net amounts of the appropriated amounts and the supplemental appropriations, rescissions, directed general provisions reductions, and approved DD 1415 reprogramming actions are reflected in columns b, c, d, and e on all versions of the DD 1415. The first DD 1415 for a particular line item will reflect the same baseline amounts in columns b/c and d/e. Subsequent DD 1415s for a particular line item will retain the same baseline amount in columns b/c and d/e (unless a supplemental or rescission or an approved DD 1415 has been implemented in the interim. Exceptions to this occur when more than one DD 1415 is processed simultaneously, or when the previous DD 1415 was implemented at a different level than was originally approved (Monthly or Omnibus, for example).

## 9.0 REPLACEMENT OF ITEMS SOLD FROM INVENTORY (0609)

### 9.1 Policy (060901)

The current budget policy requires that [offsetting collections from asset sales](#) generally cannot be used to replace end items sold from inventory if the replacement end item is not a “like replacement” item of identical type, model, and series designation) unless congressional approval is obtained. [Although technically not involving the reprogramming of appropriated budgetary resources, DoD obtains the requisite approval by submitting a prior approval](#) reprogramming action to the congressional [defense](#) committees.

### 9.2 Guidelines (060902)

9.2.1. The requirement for a [prior approval](#) reprogramming action for small dollar value end items where replacements vary only to a minor extent from the item sold has resulted in unnecessary paperwork and serves no substantive purpose. Replacement of items sold from inventory with a unit cost of less than \$5,000 that are not of identical type, model, and series designation will be treated as a “[like replacement](#),” if an improved model of the same end item is being procured, performs the same warfighting capability, and the inventory objective presented to the Congress is not exceeded. Items satisfying all of these criteria will be financed with the proceeds of the sale of the end items issued from inventory without processing a DD 1415-1, [prior approval](#) reprogramming request. The amount applied toward the [like replacement](#) item may not be increased beyond the proceeds of that sale.

9.2.2. The requirement for a [prior approval reprogramming](#) action exists when an item of materiel is sold which will require replacement to compensate DoD inventories for the resultant loss of capability or readiness and the replacement item will not qualify as like replacement item because it is not identical to the item sold. Replacement items submitted for congressional approval must, however, be a later series or modified version of the same basic model of the item being sold (e.g., sale of a C-130A aircraft and purchase of a C-130E), or be an acceptable substitute

item used against the same inventory objective or authorized acquisition objective in requirements computations (e.g., sale of an M-48 tank and purchase of an M-60 tank). If congressional approval is provided, [offsetting collections from the asset sale may be used to procure the item as a like replacement item](#). See paragraph [070302.C.2](#) of Chapter 7 of Volume 15 for more information concerning replacement of items following sales of Defense articles from stocks. [In accordance with OMB Circular A-11, section 83.5](#), the buyback of the like replacement items must be classified as a direct obligation because it is financed using an offsetting collection from an asset sale to a non-Federal source.

9.2.3. For DD 1415-1 reprogramming actions seeking approval for use of proceeds to acquire items that are not “like replacement” items, Components must either submit a separate, stand-alone prior approval reprogramming request, or make the request as a separate, stand-alone part within the regular monthly reprogramming submission. Components shall not incorporate or combine such actions with other types of reprogramming requirements.

## 10.0 REPROGRAMMING POLICY FOR CLOSING APPROPRIATION ACCOUNTS (31 U.S.C. 1551 et seq) (0610)

### 10.1 Definitions of Contract Changes for Reprogramming Purposes (061001)

For purposes of this reprogramming policy guidance, adjustments to amounts initially obligated in accounts that now are expired are categorized either as within-scope or change-in-scope contract changes. Within-scope changes generally are funded from the appropriation that originally financed the contract until cancellation. Change-in-scope contract changes are financed from appropriations currently available for obligation at the time the change is made. Specific guidelines for determining scope of work changes are defined in Chapter 8, [“Standards for Recording and Reviewing Commitments and Obligations”](#).

### 10.2 Use of Currently Available Appropriations to Fund Out-Of-Scope Contract Changes (061002)

10.2.1. Normal applicable reprogramming (DD 1415) procedures and thresholds will apply when currently available appropriations are used to fund out-of-scope contract changes.

10.2.2. Out-of-scope contract changes funded from currently available appropriations will be funded from, and reflected against, the current corresponding line item, program element or program applicable, or comparable, to the program for which the contract change is being made.

10.2.3. If an applicable corresponding program no longer exists in the currently available appropriation for the program for which the out-of-scope contract change is being made, a new line item for the program in question will be created to reflect the contract change adjustment. Reprogramming threshold procedures for newly created line items will be the same as for the creation of any other new line item.

10.2.4. Any line item or program can be the funding source for contract changes funded from currently available funds. However, the funding source line item or program will also be subject to normal reprogramming thresholds.

### 10.3 Use of Currently Available Appropriations to Fund Obligations or Adjustments to Obligations that Otherwise Would Have Been Funded from a Canceled Appropriation Account (061003)

10.3.1. Obligations and adjustments to obligations that would have been properly chargeable to a closed account, both as to purpose and amount, shall be charged to an appropriation currently available for the same purpose. Specific limitations are as follows:

10.3.1.1. The sum of all such amounts funded from currently available appropriations shall not exceed the lower of (a) one percent of the originally appropriated amount of the current appropriation being charged or (b) the current unexpended balance of the canceled appropriation account.

10.3.1.2. For the purpose described in paragraph 1, the unexpended balance is the sum of the unobligated balance plus the unliquidated obligated balance of the appropriation account at the time it was canceled, less any and all obligations incurred and payments made subsequent to the cancellation of the original appropriation account when such obligations and payments would otherwise have been properly charged to the appropriation had the appropriation not been canceled.

10.3.2. Normal reprogramming procedures (DD 1415) and thresholds will not apply when currently available appropriations are used to fund obligations or adjustments to obligations, which would otherwise have been funded from a canceled appropriation account before it was canceled.

10.3.3. Charges to currently available appropriations for obligations or adjustments to obligations that would otherwise have been charged to canceled appropriation accounts shall be reflected in a line item on the Report of Programs (DD 1416) entitled “Canceled Appropriation Account Adjustments.”

10.3.3.1. Within an appropriation, reprogramming thresholds may be exceeded in currently available appropriations for increases or sources used to finance the “Canceled Appropriation Account Adjustments” line item.

10.3.3.2. If reprogramming thresholds are exceeded for increases or sources to finance these obligations or adjustments to obligations, column k, Changes not Requiring Approval by Secretary of Defense, of the DD 1416 should be footnoted to indicate that the threshold amount has been exceeded due to canceled appropriation account adjustments.

10.3.3.3. The new line, “Canceled Appropriation Account Adjustments,” will be a separate line item or program element and added as an entry within a single budget activity. For all appropriation accounts that do not display line item detail, a memo line shall be shown under any single budget activity.



#### 10.4 Use of Expired Appropriations to Fund Contract Changes (061004)

10.4.1. An expired appropriation remains available for recording, adjusting and liquidating obligations properly chargeable to that appropriation until the appropriation is closed under 31 U.S.C. 1552. Accordingly, an expired appropriation may be used to fund within-scope contract changes properly chargeable to that appropriation in accordance with Chapter 8. When properly chargeable obligations are posted against a line item, funding must be available in that program. If funding is not available on that program, but funding is available within the appropriation, a funding realignment between programs in that appropriation must be accomplished.

10.4.2. Expired Operation and Maintenance, Navy appropriations may be used to fund certain payments required because of changes in scope of work in connection with ship overhaul, maintenance, and repair work under 10 U.S.C. 7313.

10.4.3. For purposes of the Shipbuilding and Conversion, Navy, (SCN) appropriation, appropriation language normally provides for additional obligations to be incurred after the 5 years of obligation availability, for engineering services, tests, evaluations, and other such budgeted work that must be performed in the final stage of ship construction. The period of availability of the SCN appropriation is adjusted prior to being canceled based on the schedule of work being performed. (e.g. [section 8075 of division C of Public Law 113-235, the DoD Appropriations Act, 2015](#)).

#### 11.0 NATIONAL GUARD AND RESERVE EQUIPMENT APPROPRIATION NOTIFICATION PROCEDURES (0611)

##### 11.1 General (061101)

In the National Guard and Reserve Equipment Appropriation (NGREA), the Congress typically appropriates funding in lump-sum amounts to be used for aircraft and miscellaneous equipment, and requests submission of a detailed assessment of modernization priorities by each of the Reserve Component (RC) Chiefs. The Assistant Secretary of Defense (Reserve Affairs) (ASD (RA)) forwards the RC acquisition plans to the congressional committees, along with a consolidated equipment requirements list for all Reserve Components, called the Summary NGREA Acquisition Report.

##### 11.2 Procedures for Revisions to the Summary NGREA Acquisition Report (061102)

11.2.1. Procurement of any item not included in the Summary NGREA Acquisition Report for allocation of the funds appropriated in lump-sum amounts for aircraft and miscellaneous equipment cannot be initiated by a Component until the proper notification to the congressional committees is made.

11.2.2. Letters requesting a change to the initial report [must be submitted to ASD\(RA\) by the cognizant Military Department Assistant Secretary \(Financial Management and Comptroller\) for the respective Reserve Component requiring a change from the initial allocation directly to the](#)

ASD(RA). The ASD(RA) shall obtain coordination from OUSD(C) P/B before transmitting letters to the congressional committees.

11.2.3. Consistent with other procedures in place for letter notifications pertaining to new starts (section 060403), the following procedures shall apply.

11.2.3.1. Notification of the House and Senate Appropriations Committees and the House and Senate Armed Services Committees is followed by a 30-day automatic hold.

11.2.3.2. The DoD Component may implement the reprogramming 30 calendar days after receipt by these committees unless notification to the contrary is received from a committee.

## \*12.0 OPERATION AND MAINTENANCE QUARTERLY EXECUTION REPORT (0612)

### \*12.1 Purpose (061201)

This chapter provides instructions applicable to preparation and submission of the Operation and Maintenance (O&M) Quarterly Execution Report. Congress requires the Department to provide the congressional defense committees with quarterly budget execution data for each of the active, guard, reserve, and defense-wide O&M accounts. Title 10, U.S. Code, section 228, requires quarterly reports on the allocation of funds within operation and maintenance budget sub-activities. The Operation and Maintenance Quarterly Execution Report satisfies both reporting requirements.

### 12.2 Submission Requirements (061202)

The Military Departments submit their reports to the Office of the Under Secretary of Defense, Comptroller (OUSD(C)), Operations Directorate 20 days after the end of each quarter. The Defense Wide Operation and Maintenance Report is prepared by OUSD(C), Operations Directorate. The template provided in an appendix B to this chapter displays the format for the Report.

### 12.3 Preparation of Material (061203)

The O&M Execution Report must:

12.3.1. Reflect the official DD COMP (M) 1002 Report as of the last day of the reporting quarter;

12.3.2. Explain any deviations from official budget data and accounting execution report data.

12.3.3. Control funds at the SAG/BLI level to prevent reflecting obligations in excess of program in the official DD COMP (M) 1002 Report; and



12.3.4. Avoid exceeding SAG/BLI thresholds for prior approval reprogrammings as set by Congress.

#### 12.4 References (061204)

Volume 2A Chapter 1 provides general funding policies and Chapter 3 provides specific policies related to Operation and Maintenance costs. (See Volume 2A, Chapter 1 – 3)

#### 12.5 Operation and Maintenance Quarterly Execution Report Exhibit (061205)

12.5.1. The O&M Report contains the following column data as displayed on the format presented in Appendix C to this chapter. Unless modified in a data call, this format should be adhered to.

12.5.1.1. Appropriation: Use this column to identify the Component's O&M account and display as follows:

12.5.1.1.1. Army O&M (Active/Reserve/National Guard)

12.5.1.1.2. Navy O&M (Active/Reserve)

12.5.1.1.3. Marine Corps O&M (Active/Reserve)

12.5.1.1.4. Air Force O&M (Active/Reserve/National Guard)

12.5.1.1.5. Defense-Wide (D-W) O&M

12.5.1.2. Budget Activity (BA): Use this column to identify the applicable Budget Activities such as:

12.5.1.2.1. Operating Forces (BA 1)

12.5.1.2.2. Mobilization (BA 2)

12.5.1.2.3. Training and Recruiting (BA 3)

12.5.1.2.4. Administrative and Servicewide Activities (BA 4)

12.5.1.2.5. Defense Agency and Budget Activity (Defense-Wide)

12.5.1.3. Activity Group (AG)/Budget Sub-Activity (BSA): Use this column to display the activity groups.

12.5.1.4. Sub-Activity Group (SAG)/Budget Line Item (BLI): Use this column to display the sub-activity group (SAG)/Budget Line Item (BLI) title.

12.5.1.5. President's Budget Request Column: This column must match the current fiscal year budget request, by SAG/BLI, in the Conference Report for the Department of Defense Appropriations and match the appropriate column in the Base for Reprogramming Actions (DD 1414).

12.5.1.6. Appropriation Column: This column must match the current fiscal year appropriation, by SAG/BLI, in the Conference Report for the Department of Defense Appropriations and match the appropriate column in the Base for Reprogramming Actions (DD 1414).

12.5.1.7. Distribution of Unallocated Congressional Adjustments: This column should reflect the distribution of unallocated congressional adjustments found in the Conference Report for the Department of Defense Appropriations.

12.5.1.8. Adjustments Required by Statute: The total for the Adjustments Required by Statute column should equal the Transfers (i.e., letter reprogrammings directed by statute), General Provisions, and Supplemental Appropriations.

12.5.1.9. Prior Approval Reprogramming: This column should reflect prior approval reprogrammings. This should include all prior approval reprogrammings approved by Congress by the end of the quarter that this report covers.

12.5.1.10. Below Threshold Reprogrammings (BTRs): This column should include any reprogramming actions that the component has made between SAG/BLI s that do not require OSD or congressional approval, also known as Below Threshold Reprogrammings (BTRs). The BTRs must not exceed \$15.0 million into/out of each Budget Activity (BA) or Defense Agency. Additionally, the Explanatory Statement, Division C Department of Defense Appropriations Act Fiscal Year 2015 cites specific SAG/BLI s that require prior approval reprogramming and Defense Agencies and Components restricted to BTRs of the lessor of \$15 million.

12.5.1.11. Other Reprogrammings: This column should include any Internal Reprogrammings (IRs) not displayed elsewhere in this report. Provide a footnote explanation for these adjustments (i.e., includes environmental restoration and foreign currency fluctuation transfers). Provide specific details for any adjustments other than adjustments from Transfer accounts. For example, letter reprogrammings authorized but not specifically directed by statute would appear in this column. The footnote would explain the transfer.

12.5.1.12. Current Program: This column must match, by SAG/BLI, Budget Activity (BA) and in total, column D (column C for the Marine Corps Reserve, Navy Reserve, Air Force Reserve, and Air National Guard) of the O&M Appropriation Status by Fiscal Year Program and Subaccounts (DD 1002) Report for the last month of the applicable quarter. If it does not, then present the appropriate total; provide a footnote explanation with specific SAG level detail noting the discrepancy and address why it does not, and what action is underway to correct any differences.

12.5.1.13. Actual Obligations: This column must match, by SAG/BLI, Budget Activity (BA) and in total, column E of the O&M Appropriation Status by Fiscal Year Program and Subaccounts Report (DD 1002) Report for the last month of the applicable quarter. If it does not, then present the appropriate total; provide a footnote explanation with specific SAG/BLI level detail noting the discrepancy and address why it does not, and what action is underway to correct any differences.

12.5.2. Footnotes:

12.5.2.1. Careful attention must be paid to report footnotes.

12.5.2.2. Use the footnote section to explain the data contained in the report and make it meaningful;

12.5.2.3. Explain any deviations from official budget data and accounting execution report data;

12.5.2.4. Be consistent with the wording of footnotes and ensure the current quarter footnotes are consistent with the previous quarter's report footnotes; and

12.5.2.5. Standard footnotes will be provided by the Office of the Under Secretary of Defense (Comptroller) at the beginning of each fiscal year

12.5.3. Expectation for Funds Awareness

12.5.3.1. Funds should be controlled at the SAG/BLI level to prevent reflecting obligations in excess of program in the O&M DD 1002 Report; and

12.5.3.2. Funds must be controlled to avoid exceeding SAG/BLI thresholds for prior approval reprogrammings as set by Congress.

**UNCLASSIFIED**  
**CLASSIFICATION**

March 2015

Page 1 of 3 Pages

<b>BASE FOR REPROGRAMMING ACTIONS</b>								
<b>(Dollars in Thousands)</b>								
Appropriation Account Title: <i>Enter the appropriation account title and program year.</i>						Fiscal Year Program: <i>Enter the fiscal year.</i>		
Line Item	Program Base Presented to Congress in Printed Justification		Approved Changes Prior to Final Congressional Action		Changes Reflecting Congressional Action/Intent		Program Base Reflecting Congressional/ Presidential Action	
a	Qty b	Amount c	Qty d	Amount e	Qty f	Amount g	Qty h	Amount i
The DD Form 1414, Base for Reprogramming Actions, establishes the base from which reprogramming actions may be taken. It identifies line items for each appropriation covered in the DoD Appropriations Acts.								
<p>Line item nomenclature and accompanying amounts for programs appropriated vary by account and should be shown as follows:</p> <p>Active and reserve component military personnel appropriation accounts shall list budget activities as presented in the justification books. These line items will be followed by budget activity subdivisions or other line identifications to reflect congressional action by programmatic change. A total for each budget activity will be shown.</p> <p>Operation and maintenance (O&amp;M) active and reserve appropriation accounts shall list budget activities as presented in the justification books. These line items will be followed by budget activity subdivisions or other line identifications to reflect congressional action by programmatic change. A total for each budget activity will be shown.</p> <p>Procurement appropriation line items will be the procurement line items shown on the P-1, Procurement Programs, and arranged in the same order with the exact same title. The line items will be grouped by budget activity and a total will be shown for each budget activity. Only congressional special interest item changes should be listed as memo entries under each P-1 line item.</p> <p>Research, Development, Test and Evaluation appropriation line items will be the program elements shown on the R-1, RDT&amp;E Programs, and arranged in the same order with the exact same title. The program elements will be grouped by budget activity and a total will be shown for each budget activity. New program titles due to congressional adds shall be as reflected in the congressional reports or as part of an existing program element, whichever is appropriate. Only congressional special interest item changes should be listed as memo entries under each program element.</p>								
Unless otherwise directed by OUSD(C), undistributed congressional reductions and adds must be distributed on the DD 1414.								

DD 1414

**UNCLASSIFIED**  
**CLASSIFICATION**

DoD Financial Management Regulation

Volume 3, Chapter 6, Appendix A

**UNCLASSIFIED**  
**CLASSIFICATION**

March 2015

Page 2 of 3 Pages

BASE FOR REPROGRAMMING ACTIONS (Dollars in Thousands)								
Appropriation Account Title: <i>Enter the appropriation account title and program year.</i>						Fiscal Year Program: <i>Enter the fiscal year.</i>		
Line Item	Program Base Presented to Congress in Printed Justification		Approved Changes Prior to Final Congressional Action		Changes Reflecting Congressional Action/Intent		Program Base Reflecting Congressional/Presidential Action	
a	Qty b	Amount c	Qty d	Amount e	Qty f	Amount g	Qty h	Amount i
<u>PROGRAM</u>								
<p>"Program Base Presented to Congress in Printed Justification" (columns "b" and "c"). For each line item in the Procurement and RDT&amp;E appropriations, enter the amounts reflected in the P-1 and R-1. The Procurement line items should include applicable line item quantities (do not use xx). Military Personnel and Operation and Maintenance (O&amp;M) appropriations will be by budget activity level and amounts will be obtained from M-1 and O-1.</p>								
<p>"Approved Changes Presented Prior to Final Congressional Action" (columns "d" and "e"). Enter the amount of increase (+) or decrease (-) to the line items or budget activities which were approved by the Secretary of Defense and formally presented to one or both of the Committees on Appropriations. Normally, such changes, involving a change in the budget estimate for the total appropriation, will be submitted to the Congress by the President as formal budget amendments, although in certain cases, such changes have been presented directly by the Secretary of Defense. Testimony on program changes by a DoD official other than the Secretary or Deputy Secretary of Defense shall be considered as an expression of personal opinion and not as an approved change. This column shall only be used when directed by OSD.</p>								
<p>"Changes Reflecting Congressional Action/Intent" (columns "f" and "g"). Enter the amount of increase (+) or decrease (-) for each line item reflecting congressional action as indicated in the Conference Report accompanying the DoD Appropriations Act or any other information as may be available to determine congressional action or intent regarding line item detail. Nonspecific congressional adjustments included in appropriated amounts for an Active Service O&amp;M account shall be allocated to the budget activity level.</p>								
<p>"Program Base Reflecting Congressional/Presidential Action" (columns "h" and "i"). Entries will represent the arithmetic sum of the applicable entries from columns "b" through "f" and "c" through "g." Amounts in this column will become the first column "Program Base Reflecting Congressional Action" (columns "b" and "c") of the subsequent DD 1416 reports.</p> <p>Quantities (Columns "b," "d" and "f"). Quantities are only applicable for the procurement accounts. When a procurement line item contains a quantitative measurement, then the quantity shall be reflected in the appropriate quantity columns for that line item. If no quantity is meaningful as a unit measurement, then leave the column value left (i.e., do not use xx).</p>								

DD 1414

**UNCLASSIFIED**  
**CLASSIFICATION**

DoD Financial Management Regulation

Volume 3, Chapter 6, Appendix A



**UNCLASSIFIED**  
**CLASSIFICATION**

**March 2015**  
Page 3 of 3 Pages

BASE FOR REPROGRAMMING ACTIONS (Dollars in Thousands)								
Appropriation Account Title: <i>Enter the appropriation account title and program year.</i>						Fiscal Year Program: <i>Enter the fiscal year.</i>		
Line Item	Program Base Presented to Congress in Printed Justification		Approved Changes Prior to Final Congressional Action		Changes Reflecting Congressional Action/Intent		Program Base Reflecting Congressional/ Presidential Action	
a	Qty b	Amount c	Qty d	Amount e	Qty f	Amount g	Qty h	Amount i
<u>PROGRAM</u>								
<p>Stub Entries for this Financing Section may include some or all of the following types of transactions:</p> <p>Budget Authority:</p> <p>Appropriation, P.L. 113-xxx</p> <p>PL 113-xxx, Sec. 8106</p> <p>PL 113-xxx, Sec. 8060</p> <p>Total Financing, FY 20xx Program</p>								
<p>Detail instructions for the above financing lines by column are as follows:</p> <p>Column "c" for the appropriation and reimbursable orders lines shall be the same as the amounts in the President's Budget Program and Financing Schedules.</p> <p>Column "e" is rarely used; and when appropriate, instructions for this column will be provided.</p> <p>Column "g" shall be the delta changes made by Congress or DoD for applicable appropriation or general provision changes.</p> <p>Column "i" shall be the sum of the columns across and shall be column "c," "Program Base Reflecting Basic Congressional Action," on subsequent DD 1416s.</p> <p>"Transfers" shown on the DD 1414 will only apply for those transfers included as part of the President's Budget request or certain congressional action transfers. For example, these may include transfers in the budget from the National Defense Stockpile Fund or general provision transfers provided by the Congress in law that usually involve transfers to Shipbuilding and Conversion.</p>								
<p><b>Footnoted Items.</b> Extreme care should be used in footnoting items. Footnote 1, should be used when one of the congressional reports specifically provided funds for this item using the phrases "only for" or "only to", or the item appears in one of the project level tables. Congressional prior approval is required before decreasing funds on this program. Footnote 2, should be used when this effort was specifically reduced by one or more of the congressional committees. Below Threshold Reprogramming (BTR) authority cannot be used to restore specific congressional reductions. Footnotes should be consolidated onto the last page of each account. This avoids repetition of the same footnote that may appear on several pages of an appropriation.</p>								

DD 1414

**UNCLASSIFIED**  
**CLASSIFICATION**

DoD Financial Management Regulation

Volume 3, Chapter 6, Appendix A

## DoD Financial Management Regulation

## Volume 3, Chapter 6, Appendix A

March 2015

## REPROGRAMMING ACTION - PRIOR APPROVAL

**Unclassified**

Page 1 of 4

<b>Subject:</b>						<b>DoD Serial Number:</b> FY XX-XX PA			
<b>Appropriation Title:</b> Appropriation titles with year designation.						<b>Includes Transfer?</b> Yes or no			
<b>Component Serial Number:</b>		<i>(Amounts in Thousands of Dollars)</i>							
		Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
<b>Line Item</b>		<b>Quantity</b>	<b>Amount</b>	<b>Quantity</b>	<b>Amount</b>	<b>Quantity</b>	<b>Amount</b>	<b>Quantity</b>	<b>Amount</b>
<b>a</b>		<b>b</b>	<b>c</b>	<b>d</b>	<b>e</b>	<b>f</b>	<b>g</b>	<b>h</b>	<b>i</b>
<p>This is a sample with instructions on details required for preparation of a DD 1415-1, Prior Approval, reprogramming action, which requires congressional committee approval in writing prior to implementation of the committee responses. Specific approval of the USD(Comptroller) is required on all DD 1415 reprogramming actions and OMB endorsement is required for those involving general and special transfer authority.</p> <p>An introductory paragraph should include the following:</p> <p>1. Explain why the action is being submitted for prior approval. (One or more of the following should apply.)</p> <p>A. Affects an item that is known to be or has been designated as a matter of special interest to one or more of the congressional committees.</p> <p>B. Initiates a new program, subprogram, modification, program element, project, or subproject.</p> <p>C. Exceeds thresholds agreed upon between the congressional committees and the Department.</p> <p>D. Involves the use of general transfer authority and shall state which Acts are involved, for example, pursuant to section 8005 of division C of Public Law 113-235, the Department of Defense (DoD) Appropriations Act, 2015, and section 1001 of Public Law 113-291, the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year (FY) 2015.</p> <p>E. Involves the use of special transfer authority and shall state which Acts are involved, for example, pursuant to section 9002 of Title IX Overseas Contingency Operations (OCO) of Public Law 113-235, the Department of Defense (DoD) Appropriations Act, 2015, and section 1522 of Public Law 113-291, the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year (FY) 2015.</p> <p>F. Increases the procurement quantity of a major end item, such as an individual aircraft, missile, naval vessel, tracked combat vehicle, and other weapon or torpedo and related support equipment for which funds are authorized. (Exceptions may apply when congressional language allows for procurement of as many missiles as funds will procure, which requires the submission of, and approval of an internal reprogramming action.)</p>									
<b>Approved (Signature and Date)</b>									

## DoD Financial Management Regulation

## Volume 3, Chapter 6, Appendix A

March 2015

## REPROGRAMMING ACTION - PRIOR APPROVAL

**Unclassified**

Page 2 of 4

<b>Subject:</b>						<b>DoD Serial Number:</b> FY XX-XX PA			
<b>Appropriation Title:</b> Appropriation titles with year designation.						<b>Includes Transfer?</b> Yes or no			
<b>Component Serial Number:</b>		<i>(Amounts in Thousands of Dollars)</i>							
		Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
<b>Line Item</b>		<b>Quantity</b>	<b>Amount</b>	<b>Quantity</b>	<b>Amount</b>	<b>Quantity</b>	<b>Amount</b>	<b>Quantity</b>	<b>Amount</b>
<b>a</b>		<b>b</b>	<b>c</b>	<b>d</b>	<b>e</b>	<b>f</b>	<b>g</b>	<b>h</b>	<b>i</b>

G. Terminates any program that results in the elimination of a procurement program or an RDT&E program element; a subprogram within a procurement program or RDT&E project or subproject which is equal to the total amount of the procurement program or program element; or a subprogram within a procurement program or an RDT&E project or subproject within a program element of \$10 million or more.

2. A concise sentence stating the purpose of the action.

3. A statement that the action is for a higher priority item, based on unforeseen military requirements, than that for which the funds were originally appropriated, meets all administrative and legal requirements of the Congress, and has not been denied by the Congress. This statement ensures that statutory requirements are satisfied.

4. A statement that the action is/is not included in the President's Budget that is on the Hill for approval.

REPROGRAMMING INCREASES:

Appropriation and year designation

Budget Activity Number and Title

<b>a</b>	<b>b</b>	<b>c</b>	<b>d</b>	<b>e</b>	<b>f</b>
----------	----------	----------	----------	----------	----------

Explanation:

Details for each separate increase are as follows:

**a.** Line item titles. The title will be identical to the title shown on the DD Form 1414, Base for Reprogramming Actions, if the line item is listed therein.

**b.** Entries for "Program Base Reflecting Congressional Action" (columns "b" and "c"). For each line item, enter the procurement quantity (if applicable) and amount shown on the DD 1414. The baseline is changed by any congressional action to include rescissions, supplemental, and approved DD 1415 action.

**c.** Entries for "Program Previously Approved by SecDef" (columns "d" and "e"). For the first 1415 processed for a particular item, entries will be the same as columns b and c entries. For subsequent 1415s, entries will be the same as columns h and i of the most recently approved DD 1415 reprogramming action. If a reprogramming action is already in process in OSD affecting the same item, coordinate the revised program value to be used with the OUSD(C) P&FC.



## DoD Financial Management Regulation

## Volume 3, Chapter 6, Appendix A

March 2015

## REPROGRAMMING ACTION - PRIOR APPROVAL

**Unclassified**

Page 3 of 4

<b>Subject:</b>						<b>DoD Serial Number:</b> FY XX-XX PA			
<b>Appropriation Title:</b> Appropriation titles with year designation.						<b>Includes Transfer?</b> Yes or no			
<b>Component Serial Number:</b>		<i>(Amounts in Thousands of Dollars)</i>							
		Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
<b>Line Item</b>		<b>Quantity</b>	<b>Amount</b>	<b>Quantity</b>	<b>Amount</b>	<b>Quantity</b>	<b>Amount</b>	<b>Quantity</b>	<b>Amount</b>
<b>a</b>		<b>b</b>	<b>c</b>	<b>d</b>	<b>e</b>	<b>f</b>	<b>g</b>	<b>h</b>	<b>i</b>
<p><b>d.</b> Entries for "Reprogramming Action" (columns "f" and "g"). Enter the increase (+) or decrease (-) in quantity (if applicable) and amount of the proposed reprogramming action. The total increases and decreases must net to zero. Columns "f" and "g" are not allowed to contain classified quantities or amounts. Other material, if required, should be classified in order to allow columns "f" and "g" to remain unclassified.</p> <p><b>e.</b> Entries for "Revised Program" (columns "h" and "i"). Enter the adjusted quantity (if applicable) and the amount resulting from the proposed increase or decrease to the previously approved program.</p> <p><b>f.</b> The "Explanation" on the DD 1415 should include sufficient data to justify the proposed increase. The statements should be informative, clearly stated, and straightforward. The purpose of the written documentation should be to inform the reader; therefore, care must be taken to avoid confusing narratives. For each increase within the reprogramming, include explanations and justifications that are intended to serve the same basic purpose as "original budget justification." Accordingly, concise, accurate, and clearly stated information should be provided for reviewing officials and the congressional committees as to the nature, extent, and necessity of the requirements, the costs, and the proposed application of resources to meet such costs. All program increases should be described in such a way as to distinguish between price changes and program scope changes. Statements should be prepared and reviewed on the basis that classified data will not be included. If classified information is essential to justification of the reprogramming change, it will be submitted under separate cover.</p>									
<b>FY 2015 REPROGRAMMING INCREASE:</b>						<b>+10,000</b>			
<b><u>Research, Development, Test, and Evaluation, Air Force, 15/16</u></b>									
<b><u>Budget Activity 04: Advanced Component Development and Prototypes</u></b>									
PE 0603851F ICBM - DEM/VAL		43,206		43,206		+10,000		53,206	
<p><b><u>Explanation:</u></b> Funds are required to support the Rocket Systems Launch Program (RSLP) which converts surplus ICBMs into test launch vehicles for suborbital and sounding rocket launches. Funds are required to move 166 Minuteman II motors from Pueblo Depot, CO to Camp Navajo Depot, AZ because the Pueblo Depot is closing. As a result, proper storage and maintenance of environmental igloos for motor storage is no longer being maintained or guaranteed. Since the Camp Navajo Depot has been modified and is ready to accept motors, the motors must be moved to ensure proper storage and maintenance and to avoid unauthorized location of hazardous Air Force material. <u>This is a base budget requirement.</u></p>									

DD 1415-1

**Unclassified**  
6-26

## DoD Financial Management Regulation

## Volume 3, Chapter 6, Appendix A

March 2015

## REPROGRAMMING ACTION - PRIOR APPROVAL

**Unclassified**

Page 4 of 4

<b>Subject:</b>						<b>DoD Serial Number:</b> FY XX-XX PA			
<b>Appropriation Title:</b> Appropriation titles with year designation.						<b>Includes Transfer?</b> Yes or no			
<b>Component Serial Number:</b>		<i>(Amounts in Thousands of Dollars)</i>							
		Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program	
<b>Line Item</b>		<b>Quantity</b>	<b>Amount</b>	<b>Quantity</b>	<b>Amount</b>	<b>Quantity</b>	<b>Amount</b>	<b>Quantity</b>	<b>Amount</b>
a		b	c	d	e	f	g	h	i
<b>FY 2015 REPROGRAMMING DECREASE:</b>						<b>-10,000</b>			
<b><u>Missile Procurement, Air Force, 15/17</u></b>									
<b><u>Budget Activity 03: Modification of Inservice Missiles</u></b>									
MM III Modifications		29,344		29,344		-10,000		19,344	
<p><b><u>Explanation:</u></b> These funds are excess to requirements as a result of the restructure of the Minuteman III Guidance Replacement Program (GRP). As a result of the restructure, procurement of long lead parts to support low rate initial production is not required until the second quarter of 2015. The MM III GRP program is adequately and appropriately funded to support a GRP production start in FY 2015. Accordingly, FY 2015 funds provided to procure long lead parts are available to finance higher priority requirements. <a href="#">This is base budget funding.</a></p> <p>Note: All sources of financing will be clearly and explicitly identified in the DD 1415. A statement immediately following each proposed decrease in a line item shall include information as to the basis upon which it has been decided that the line item may be reduced.</p> <p>Extreme care should be used in identification of sources to ensure that approved increases will be fully funded. For purposes of the Omnibus reprogramming action, except in the most unusual circumstances, the USD(C) will neither request reconsideration of denied increases, nor submit alternate sources for any denied sources.</p>									

## DoD Financial Management Regulation

## Volume 3, Chapter 6, Appendix A

## REPROGRAMMING ACTION - INTERNAL

Unclassified

Page 1 of 1

<b>Subject:</b>						<b>DoD Serial Number:</b> FY XX-XX IR	
<b>Appropriation Title:</b> Research, Development, Test, and Evaluation, Navy, 15/16; shipbuilding and Conversion, Navy, 15/19						<b>Includes Transfer?</b> No	
<b>Component Serial Number:</b>						<i>(Amounts in Thousands of Dollars)</i>	
	Program Base Reflecting Congressional Action		Program Previously Approved by Sec Def		Reprogramming Action		Revised Program
<b>Line Item</b>	<b>Quantity</b>	<b>Amount</b>	<b>Quantity</b>	<b>Amount</b>	<b>Quantity</b>	<b>Amount</b>	<b>Quantity</b> <b>Amount</b>
a	b	c	d	e	f	g	h   i

*SAMPLE IR*

This reprogramming action is submitted for prior approval because it uses general transfer authority pursuant to section 8005 of division C of Public Law 113-235, the Department of Defense (DoD) Appropriations Act, 2015; and section 1001 of Public Law 113-291, the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year (FY) 2015. This action transfers \$xxxx million from Shipbuilding and Conversion, Navy, 15/19, appropriation to the Research, Development, Test, and Evaluation, Navy, 15/16, appropriation to finance the construction of Littoral Combat Ship (LCS) 1 and LCS 2 through calendar year 2015. This action reprograms funding in support of higher priority items, based on unforeseen military requirements, than those for which originally appropriated; and is determined to be necessary in the national interest. It meets all administrative and legal requirements and none of the items has been previously denied by the Congress.

**FY 2015 REPROGRAMMING INCREASE:** +XXXXXXXX

**Research, Development, Test, and Evaluation, Navy, 15/16** +XXXXXXXX  
Budget Activity 04: Advanced Component Development and Prototypes  
R-1--PE Number/Title

XXXXXXXX	XXXXXXXXXX	+XXXXXXXXXX	XXXXXXXXXX
----------	------------	-------------	------------

Explanation: Funds are required....  
This is a base budget requirement or This is an OCO budget requirement.

**FY 2015 REPROGRAMMING DECREASE:** -XXXXXX

**Shipbuilding and Conversion, Navy, 15/19** -XXXXXX  
Budget Activity 02: Other Warships  
P-1 Line Item

XXXX	XXXXX	-XXXXX	XXXXX
------	-------	--------	-------

Explanation: Funds are available because .....  
This is base budget funding or This is Title IX OCO budget funding.

Approved (Signature and Date)

## Appendix A Part 4 – Report of Programs

DD 1416

**UNCLASSIFIED****Report of Programs  
(In Dollars)****Account:****As of:****Budget Activity:**

Period of Availability	BLI#	BLI	BLI TITLE	President's Budget Request	Enacted Appropriation (Includes Distribution of Congressional Adjustments/1)	Adjustments Required by Statute /2	Suppls/Rescissions/ Sequestration /3	Other: Cancelled, Claims, Judgments /4	Above Threshold Reprog	Below Threshold Reprog	Net

**FOOTNOTES:**

Period of Availability: The period of time budgetary resources are available for incurring obligations.

Budget Line Item Number (BLI#)

Budget Line Item (BLI)

Budget Line Item (BLI) Title

President's Budget Request

Enacted Appropriation (Includes Distribution of Congressional Adjustments /1: Reflects general reductions and congressional directed adjustments in the approp

Adjustments Required by Statute /2: such as the Small Business Innovation Research Program

Supplemental, Rescission, Sequestration /3: specific reductions to the appropriations as directed in the appropriations act.

Other: Cancelled, Claims, Judgements /4

Above Theshold Reprogramming (ATR): Prior Approval reprogramming request that requires congressional approval

Below Threshold Reprogramming (BTR): finance adjustments to line items that do not require congressional approval; limited by dollar and percentage thresholds

Net: Total program amount

## Appendix B – Operation and Maintenance Budget Execution Data

Operation and Maintenance Budget Execution Data												
Department of the _____												
(Dollars in Thousands)												
Data as of: (Decemeber 31/March 31/June 30/September 30) (Fiscal Year)												
Appropriation	Budget Activity	Activity Group	Subactivity Group	President's Budget Request	Appropriation	Distribution of Unallocated Congressional Adjustments <sup>1/</sup>	Adjustments Required by Statute <sup>2/</sup>	Prior Approval Reprogram-mings	Below Threshold Reprogram-mings <sup>3/</sup>	Other Reprogram-mings <sup>4/</sup>	Current Program <sup>5/</sup>	Actual Obligations <sup>6/</sup>
	Budget Activity (#) Summary			SUBTOTAL	SUBTOTAL	SUBTOTAL	SUBTOTAL	SUBTOTAL	SUBTOTAL	SUBTOTAL	SUBTOTAL	SUBTOTAL
	Budget Activity (#) Summary			SUBTOTAL	SUBTOTAL	SUBTOTAL	SUBTOTAL	SUBTOTAL	SUBTOTAL	SUBTOTAL	SUBTOTAL	SUBTOTAL
	Budget Activity (#) Summary			SUBTOTAL	SUBTOTAL	SUBTOTAL	SUBTOTAL	SUBTOTAL	SUBTOTAL	SUBTOTAL	SUBTOTAL	SUBTOTAL
		Total Direct Program		TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL	TOTAL
Notes												
1/	The "Distribution of Unallocated Congressional Adjustments" column reflects the undistributed adjustments from Conference Report xxx-xxx.											
2/	The "Adjustments Required By Statute" column reflects amounts for General Provisions (P.L. xxx-xxx) and Supplemental Appropriation (P.L. xxx-xxx).											
3/	The "Below Threshold Programmings" column includes intra-Budget Activity fund reprogramming and realignments to meet congressional intent.											
4/	The "Other Reprogrammings" column includes Internal Reprogramming for Counternarcotics, Environmental Restoration, Foreign Currency Fluctuation and others as directed.											
5/	The "Current Program" column reflects column D of the Operation & Maintenance Appropriation Status by Fiscal Year Program and Subaccounts Report (DD 1002 report) as of (Day) (Month) (Year).											
6/	The "Actual Obligations" column reflects column E of the Operation & Maintenance Appropriation Status By Fiscal Year Program and Subaccounts Report (DD 1002 report) as of Day Month Year.											



## VOLUME 3, CHAPTER 7: “REPROGRAMMING OF MILITARY CONSTRUCTION AND FAMILY HOUSING APPROPRIATED FUNDS”

### 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 [March 2011](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
3.2.2.2. (070302.B.2)	Consolidated references to an increase, or decrease, in the reprogramming base due to previously approved congressional reprogramming action.	Clarification
3.2.2.2. (070302.B.3)	Deleted this paragraph number and consolidated relevant information into <a href="#">070302.B.2</a> . (see previous explanation).	Clarification
070302.B.10 (deleted)	Deletion. This policy is no longer relevant with respect to current statute Title 10 U.S.C. § 2802 and § 18233(a)(1), wherein military construction projects must be authorized by law before they may be carried out.	Deletion
3.2.3.5. (70302.C.5)	Revised existing policy clarifying when an Obligation Letter is required for reprogramming between Family Housing accounts.	Clarification
3.3 (070303)	Revised title from “When Reprogrammings Shall Not Be Submitted” to “. . . Should Not Be Submitted” to allow for exceptions.	Clarification
070303.A.1 (deleted)	Deleted references to various Military Construction sections in the United States Code that when listed in the context of this paragraph appear to be exceptions to authorization, when in fact they provide authorization.	Clarification
070303.A.2 (deleted)	Deletion. This policy is no longer relevant with respect to current statute, Title 10 U.S.C. §2802 and §18233(a)(1), wherein military construction projects must be authorized by law before they may be carried out.	Deletion
3.7.4.3. (070307.D.3)	Revised policy clarifying that a DD Form 1391 is required if not previously provided to Congress.	Clarification

**Table of Contents**

VOLUME 3, CHAPTER 7: “REPROGRAMMING OF MILITARY CONSTRUCTION AND FAMILY HOUSING APPROPRIATED FUNDS” .....	1
1.0 GENERAL (0701) .....	3
2.0 SUBMISSION REQUIREMENTS (0702) .....	3
3.0 PROCEDURES (0703).....	3
3.1 DoD Approvals (070301).....	3
3.2 Determining Reprogramming Actions Requiring Prior Notification and Approval of Congressional Committees (070302) .....	4
3.3 When Reprogrammings Should Not Be Submitted (070303).....	5
3.4 Split-Year Funding Authority (070304).....	6
3.5 Appeals to Congressional Committees (070305).....	6
3.6 Explanatory Statements (070306) .....	6
3.7 Administrative Processing Instructions (070307) .....	6
*4.0 REPROGRAMMING REQUEST FORMAT (0704) .....	8

## CHAPTER 7

### **REPROGRAMMING OF MILITARY CONSTRUCTION AND FAMILY HOUSING APPROPRIATED FUNDS**

#### 1.0 GENERAL (0701)

This chapter provides guidance for the preparation of reprogramming proposals for the appropriation of military construction and family housing funds.

#### 2.0 SUBMISSION REQUIREMENTS (0702)

The congressional subcommittees concerned with the appropriation and authorization of military construction and family housing funds have agreed that, in executing approved programs, some flexibility is required in adjusting approved funding levels to comply with new conditions and to effectively plan programs to support assigned missions. To facilitate the use of this authority and to promote continuity with the subcommittees, the Department agrees to seek approval from the relevant congressional committees. Departmental adjustments or reprogramming measures may be required for a number of reasons including: responding to emergencies; restoring or replacing damaged or destroyed facilities; accommodating unexpected price increases; and implementing specific program provisions provided for by the congressional committees. While supporting DoD Component mission accomplishments, reprogramming measures are intended to ensure that the use of DoD appropriations complies with congressional intent.

#### 3.0 PROCEDURES (0703)

##### 3.1 DoD Approvals (070301)

Proposed military construction and family housing reprogramming actions shall be approved by the OUSD (C). Reprogramming actions shall be submitted to the Office of Management and Budget for clearance, as required by OMB Circular No. A-11, [Section 22.3](#), “Clearance of Materials for Congress and the Media”. After OUSD(C) approval, they shall then be submitted to the appropriate congressional committees for approval or for notification. Certain reprogramming actions below threshold may be executed on approval of designated officials at the DoD Component level (see subparagraph [070302.C](#)). Generally, the OUSD(C) shall not approve reprogramming actions until compliance with the criteria delineated below has been fully documented by the DoD Components. When the House and Senate Armed Services Committees are to be notified in accordance with Title 10, United States Code, the DoD Component shall provide a copy of the signed and dated notification letter to the DoD Comptroller along with the reprogramming request. Congressional notification letters in accordance with Title 10 must be sent to the four defense oversight committees prior to requesting a reprogramming action.



### 3.2 Determining Reprogramming Actions Requiring Prior Notification and Approval of Congressional Committees (070302)

The following definitions, procedures, and criteria shall apply.

3.2.1. Reprogramming Base. The specific dollar amount for any project or effort that has been jointly approved for appropriation by the Committees on Appropriations. In instances where a prior approval reprogramming request for a project or effort has been jointly approved by the Committees on Appropriations, the amount approved becomes the new base for any future increase or decrease via below threshold reprogramming actions or prior approval reprogramming requests.

3.2.2. When Prior Approval Reprogramming is Required. Prior approval reprogramming is required for the following:

3.2.2.1. For any increase exceeding 25 percent of the reprogramming base or \$2.0 million, whichever is less, to military construction projects, family housing new construction projects, or family housing improvement projects (exceeding \$2.0 million base value).

3.2.2.2. For any increase exceeding 25 percent of the reprogramming base or \$2.0 million, whichever is less, to a project or effort whose base has been increased, or decreased, by a previously approved congressional reprogramming action.

3.2.2.3. For any increase, regardless of percentage or dollar value, to a project that has been previously reduced in scope by the Congress in acting on the appropriation request.

3.2.2.4. For any emergency construction project to be performed under 10 U.S.C. 2803.

3.2.2.5. For any restoration or replacement of damaged or destroyed facilities to be undertaken with military construction funds under 10 U.S.C. 2854.

3.2.2.6. For any acquisition of interests in land under 10 U.S.C. 2663(d).

3.2.2.7. For any family housing relocation project to be accomplished under 10 U.S.C. 2827.

3.2.2.8. For any project authorized to be accomplished from savings, unless specifically exempted from such requirement by the Committees on Appropriations.

3.2.2.9. To increase the amount appropriated for unspecified minor construction.

3.2.2.10. To increase the amount appropriated for architectural and engineering services and construction design.

3.2.3. When Prior Approval Reprogramming is Not Required. Prior approval reprogramming is not required for the following:

3.2.3.1. When none of the criteria listed above, apply to the project or to the cost increase required.

3.2.3.2. For projects utilizing Environmental Restoration, Defense funds authorized under 10 U.S.C. 2810.

3.2.3.3. For projects less than \$2.0 million within the Family Housing Improvements Program.

3.2.3.4. For decreases to a project or effort in response to “general reductions” imposed by the Congress for savings or other reasons.

3.2.3.5. When a DoD Component takes action to reprogram funds between or among family housing operation and maintenance accounts. However, the committees shall be notified within 30 days of any transfer that exceeds 10 percent of the reprogramming base of the increased account (cumulative within a fiscal year). [This action shall be documented in an approved Obligation Authority letter prior to notification of the committees of the implemented transfers.](#)

3.2.3.6. When the cost increase necessitating a [reprogramming](#) is due solely to final settlement of a contractor’s claim (Senate Report 100-200).

3.2.3.7. For any project being completed with expired funds. Cost increases are only allowable for valid upward price adjustments, which exclude any work not in the scope of the original contract (Senate Report 100-200).

3.2.3.8. For Reserve Component projects when the revised cost does not exceed \$400,000. Reprogramming action may be taken 21 days after the appropriate committees receive notification and do not object (Senate Report 100-200).

### 3.3 When Reprogrammings [Should](#) Not Be Submitted (070303)

Requests for [reprogrammings](#) shall not be submitted by DoD Components when any of the following conditions exist.

3.3.1. For any project or effort that has not been authorized.

3.3.2. For any project or effort that, for any reason, has been denied specifically by the Congress, as indicated by report language or by the elimination of funds, unless all pertinent report language specifically states that a subsequent reprogramming shall be required or entertained, or when the requirement qualifies as an emergency, as defined in 10 U.S.C. 2803.

3.3.3. To initiate programs of major scope or base realignment actions, when such larger efforts have not been authorized by the Congress.

### 3.4 Split-Year Funding Authority (070304)

As provided for by Conference Report 100-912, the committees have agreed to allow split-year funding for military construction and family housing construction projects. Split-year funding occurs when a project is financed by funds from more than one program year (appropriation). Resources made available for split-year funding shall remain in the original appropriation for fund control and accounting purposes. Projects that have been funded in phases by the Congress are not considered split-year funded.

### 3.5 Appeals to Congressional Committees (070305)

An unfavorable congressional committee decision on a [reprogramming](#) action may be appealed by the OUSD(C). Any appeal on a [reprogramming](#) action taken after it is submitted to the congressional committees is subject to the same review and approval procedures as the original [reprogramming request](#).

### 3.6 Explanatory Statements (070306)

Each proposed [reprogramming](#) action shall be fully justified and documented using the guidance in paragraph [0704](#). The required format should be closely followed to prevent unnecessary delays in processing.

### 3.7 Administrative Processing Instructions (070307)

3.7.1. Reprogrammings normally shall be forwarded monthly to the Appropriation Committees. If exceptions to this monthly processing schedule are required, such as year-end [reprogrammings](#), the DoD Components shall be notified separately. DoD Component [reprogramming](#) points of contact are responsible for ensuring that all required documentation has been provided to the OUSD(C), Program and Financial Control (Room 3C689) and the Military Personnel and Construction Directorate (Room 3C654), Pentagon, Washington, DC 20301-1100, by the 5<sup>th</sup> [workday](#) of the month. Any actions received after the 5<sup>th</sup> [workday](#) will be held for the next month's processing.

3.7.2. Urgent [reprogramming](#) requests warranting action in advance of the next regular cycle shall be evaluated and processed on a case-by-case basis. However, such out-of-cycle requests are expected to be extremely rare. Reprogramming requests must be sent by OUSD(C) to the Congress at least one month prior to the bid expiration date. Components must consider the 5<sup>th</sup> [workday](#) cut-off date when determining when a request should be forwarded to OUSD(C).

Reprogramming requests will not be accepted if there is insufficient time to review and send to Congress one month prior to the bid expiration date.

3.7.3. All sources should reflect the title, location and amount in the Authorization Act and be researched to ensure the requests will not be denied.

3.7.4. Documentation: [Military construction and family housing](#) reprogramming actions should be submitted via email to OUSDC (P&FC). The email should include the following:

3.7.4.1. A “.pdf” transmittal memorandum signed by an appropriate DoD Component official and supported by the proposed reprogramming justification [document \(MS Word\)](#) and relevant supporting material, such as, a certification by the Component’s Comptrollers that fund sources are available and the Component’s fiscal counsel has reviewed and has no fiscal objection, 10 USC 2853 notifications, and DD Form 1391 (if applicable).

3.7.4.2. This transmittal memorandum must state specifically that the [reprogramming](#) either does or does not require a cost variation notification in accordance with 10 U.S.C. 2853. If the [reprogramming](#) requires a section 2853 notification, a signed and dated copy of the notification also should be included in the required documentation. This notification letter must be transmitted to the Congress by the DoD Component prior to submission of the [reprogramming](#) request to OUSD(C). The [reprogramming](#) shall be provided in the specified format and 12-[point](#) typeface and letter-quality format.

3.7.4.3. The top page(s) should be the [reprogramming](#) request (installation, project, authorization, et al.) (see paragraph [0704](#)). Supplementary narrative information, if required, should be attached next. A DD Form 1391, FY 19XX “Military Construction Project Data,” is required if [not previously provided to Congress](#). Generally, this shall be restricted to situations in which the Military Service Secretary is exercising the emergency provisions of 10 U.S.C. 2803; the DoD Component is citing section 2854 to replace a damaged or destroyed facility; a project is being funded from savings; or a project has been added by the Congress without the benefit of official records reflecting the scope of the project involved (i.e., without a DD Form 1391).

3.7.4.4. Submissions that do not adequately justify the requirement or are missing documentation will be returned. When Components fail to correct a deficiency within two business days, the action may be returned and the Component will be required to resubmit their reprogramming request.

## \*4.0 REPROGRAMMING REQUEST FORMAT (0704)

**Bid Expiration Date:****Military Construction or Military Family Housing Construction, (Enter DoD Component)****Reprogramming Request****Installation:** Enter installation or base name, and location, consistent with the National Defense Authorization Act (NDAA).**Project:** Enter project or program title consistent with the NDAA, if the project or program is in the funded program. If not previously authorized, enter the new emergency project title.**Authorization:** Reflect the exact title of the NDAA, which includes the fiscal year and public law. If not previously authorized, reflect the appropriate sections of the Title 10, United States Code Authority for emergency or replacement projects.**Estimated Cost (\$000):****Previously Appropriated****Previously Reprogrammed****Requested Reprogramming****Total Estimated Costs****Description:** Give a brief description of the project and requirement, similar to the 1391 project description. If appropriate, indicate any significant changes to scope.**Justification:** Be clear, succinct, and complete in describing the need for the Reprogramming. If appropriate, summarize the chronology of events leading to the request, such as when the request for the proposal was announced and when bids were received. Include other relevant information, such as the contracting strategy and/or type of contract, and impact if funding was not to be made available, as well as what is driving the increase in cost (such as market conditions, inflation, full prices).**Source of Funds:** Explain why the funds are no longer required for the purpose originally appropriated. With the exception of BRAC, funds may not be "borrowed" from a project temporarily, with the intention of later restoring a portion of the amount reprogrammed.

<b>Location &amp; Project*</b>	<b>Fiscal Year</b>	<b>Amount Appropriated (\$000)**</b>	<b>Current Working Estimate (\$000)</b>	<b>Proposed Reprogramming (\$000)</b>
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Use Tabs to ensure that all words and numbers are properly aligned.

\*Project title and location as stated in the NDAA.

\*\*Amount as reflected in the Appropriation Act.

## VOLUME 03, CHAPTER 08: “STANDARDS FOR RECORDING AND REVIEWING COMMITMENTS AND OBLIGATIONS”

### 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 *February 2020* is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates to include clarifying language and sections reorganized in accordance with Department of Defense Financial Management Regulation (FMR) Revision Standard Operating Procedures.	Revision
2.3.7	Emphasized recording of commitment of intragovernmental orders prior to entry in the Government Invoicing system.	Revision
3.7	Clarifying language to distinguish fund holders due diligence responsibilities for inter- and intra-governmental orders.	Revision
8.1.3	Clarifying language on use of Fiscal Service Form 7600B.	Revision
15.2.1	Clarifying language on internal controls with supporting FMR volume and chapter references.	Revision
15.4	Clarifying language on segregation of duties with supporting FMR volume and chapter reference.	Revision
16.2.4	Clarifying language on sub-allotter and sub-allottee dormant balance roles.	Revision
16.8.2.1	Clarifying language on the roles and activities of de-obligation of dormant obligations.	Revision
Policy Memo	The Deputy Chief Financial Officer’s policy memorandum, “Dormant Account Review - Quarterly Permanent Change of Station Dormancy Requirement Adjustment (FPM 21-09),” dated November 8, 2021 was incorporated into the chapter and canceled.	Cancellation

**Table of Contents**

VOLUME 03, CHAPTER 08: “STANDARDS FOR RECORDING AND REVIEWING COMMITMENTS AND OBLIGATIONS” .....	1
1.0 GENERAL .....	5
1.1 Purpose .....	5
1.2 Authoritative Guidance .....	5
2.0 COMMITMENTS .....	5
2.1 Definition .....	5
2.2 Recording of Commitments .....	6
2.3 Special Provisions for Determining the Amounts of Commitments.....	6
2.4 Validating Commitments .....	8
3.0 OBLIGATIONS .....	8
3.1 Definition .....	8
3.2 Obligation Responsibilities .....	9
3.3 Recording Obligations .....	9
3.4 Recording Contract Obligations .....	10
3.5 Recording Maintenance and Repair Projects Obligations.....	12
3.6 Determining Scope of Work Changes.....	13
*3.7 Due Diligence.....	14
4.0 RECORDING JUDGMENT FUND OBLIGATIONS .....	15
4.1 Legal Authority .....	15
4.2 Reimbursement of Contract Dispute Act Judgments .....	15
4.3 Reimbursement of No FEAR Act Judgments .....	17
4.4 Administrative Oversight Roles and Responsibilities for Judgment Fund .....	17
5.0 RECORDING GOVERNMENT-WIDE COMMERCIAL PURCHASE CARD OBLIGATIONS .....	18
6.0 RECORDING OBLIGATIONS FOR PROCUREMENT CONTRACTS AND ORDERS .....	18
6.1 Firm Fixed Price Contract .....	18
6.2 Fixed Price Contract with an Escalation, Price Redetermination, or an Incentive Provision.....	18
6.3 Cost Reimbursement and Time and Material Contracts .....	19
6.4 Indefinite Delivery Type Contracts .....	19
6.5 Contract Authorizing Variations in Quantities to be Delivered .....	19
6.6 Multi-year Procurement Contract.....	19
6.7 Letter Contract or a Letter of Intent .....	20

**Table of Contents (Continued)**

6.8	Interest on Contractor Claims .....	20
6.9	Interest Payable under the Prompt Payment Act.....	20
6.10	Purchase Orders.....	20
6.11	Amendment of a Contract .....	21
6.12	Termination of Contracts and Agreements .....	22
6.13	Foreign Currency Exchange Fluctuations .....	22
7.0	RENTAL AGREEMENTS AND LEASES OF REAL AND PERSONAL PROPERTY .....	22
7.1	Amount Recorded as an Obligation on Rental and Lease Agreements .....	22
7.2	Rental Agreement Terminated by the U.S. Government .....	22
7.3	Rental Agreement Terminated Without Costs, with Notification .....	22
7.4	Rental Agreements with Specified Dollar Payment.....	23
7.5	Domestic or Foreign Rental Agreement Not Exceeding 12 Months.....	23
7.6	Domestic Lease Agreements for Periods Greater Than One Year.....	23
7.7	Obligations for GSA Standard Level User Charges.....	23
8.0	INTRA-GOVERNMENTAL REQUISITIONS AND ORDERS PLACED WITH DOD COMPONENTS OR OTHER U.S. GOVERNMENT AGENCIES.....	24
8.1	Reimbursable Procurement .....	24
8.2	Direct Citation Procurements .....	24
8.3	Reimbursable Orders with Other DoD Activities .....	25
8.4	Modifying Reimbursable Orders.....	26
9.0	ORDERS PLACED WITH (OR THROUGH) DEFENSE WORKING CAPITAL FUND ACTIVITIES .....	26
9.1	General .....	26
9.2	Recording DWCF Stock Funds.....	26
9.3	Change Notices .....	27
9.4	Economy Act and Project Orders Placed with DWCF Activities .....	28
10.0	PERSONAL SERVICES AND BENEFITS OBLIGATIONS .....	28
10.1	Obligations Recorded for Payments to Military and Civilian Employees .....	28
10.2	Obligations Recorded for Subsistence In Kind .....	28
10.3	Obligations Recorded for Annual and Sick Leave of DoD Employees .....	28
10.4	Obligations Recorded for Severance Pay to U.S. Government Civilians and Foreign National Employees .....	29
10.5	Obligations Recorded for Severance Pay Under Specified Conditions .....	29
11.0	PERMANENT CHANGE OF STATION OBLIGATIONS RECORDED .....	30
12.0	TEMPORARY DUTY TRAVEL OBLIGATIONS RECORDED .....	30



**Table of Contents (Continued)**

13.0	OTHER OBLIGATIONS.....	30
13.1	Loan Agreements .....	30
13.2	Grants and Subsidies Obligations Recorded .....	31
13.3	Bid Protests or Other Challenges .....	31
13.4	Liquidated Damages Recorded .....	32
13.5	Litigation Obligations Recorded .....	32
13.6	Bills of Lading.....	32
13.7	Public Utility Services Obligations Recorded.....	33
13.8	Claims .....	33
13.9	Legal Determinations .....	33
13.10	Simultaneous Disbursement and Obligation .....	33
13.11	Foreign Currency Fluctuations .....	33
13.12	Security Guard and Firefighting Services .....	33
13.13	Postage Obligations Recorded .....	34
14.0	UNRECORDED OBLIGATIONS.....	34
14.1	Dollar Threshold for Obligations Identified as Not Recorded .....	34
14.2	Document Verification.....	34
14.3	Recording .....	35
14.4	Expired Funds .....	36
15.0	INTERNAL CONTROLS.....	36
15.1	Departmental Responsibilities.....	36
15.2	Funds Holder Responsibilities .....	36
15.3	Supporting Documentation .....	37
*15.4	Segregation of Duties.....	37
15.5	Antideficiency Act Violations.....	37
16.0	QUARTERLY REVIEW OF DORMANT ACCOUNTS.....	38
16.1	DAR-Q Justification.....	38
16.2	Dormant Balances .....	38
16.3	DAR-Q Major Roles and Responsibilities .....	39
16.4	DAR-Q Populations .....	43
16.5	Advana DAR-Q Tool .....	43
16.6	Key Supporting Documentation.....	44
16.7	Documentation .....	46
16.8	De-obligation of Dormant Obligations .....	46

## CHAPTER 8

### **STANDARDS FOR RECORDING AND REVIEWING COMMITMENTS AND OBLIGATIONS**

#### 1.0 GENERAL

##### 1.1 Purpose

This chapter prescribes the requirements for determining the amount and accounting period in which commitments and obligations must be recorded under various circumstances. Departmental standards for recording transactions in the execution level budgetary accounts are in Chapter 15. This chapter also provides guidelines for the Dormant Account Review Quarterly (DAR-Q) of Undelivered Orders, [Unpaid \(UDOU\)](#); Delivered Orders, Unpaid (DOU); Undelivered Orders, Paid (UDOP); and Unfilled Customer Orders (UFCO). Priorities for researching and correcting disbursement transactions are in Chapter 11.

##### 1.2 Authoritative Guidance

The primary statutory sources include Titles 10 and 31 of the United States Code. The primary regulatory source is the Office of Management and Budget ([OMB Circular A-11](#), “Preparation Submission and Execution of the Budget”; [OMB Circular A-123](#), Management’s Responsibility for Enterprise Risk Management and Internal Control”; and the Federal Acquisition Regulation ([FAR](#)).

#### 2.0 COMMITMENTS

##### 2.1 Definition

A “commitment” is an administrative reservation of allotted funds, or of other funds, in anticipation of an obligation (see paragraph 3.1). Since an obligation equal to or less than the commitment can be incurred without further recourse to an authorizing official, commitments are required for some appropriations and are permissible for others. For additional information, see Chapter 15 paragraph 3.3. A commitment, when recorded in the accounting records, reduces the allotment’s available fund balance. A person authorized to reserve funds must sign the commitment document, i.e., the official responsible for administrative control of funds for the affected subdivision of the appropriation. This helps ensure the subsequent entry of an obligation will not exceed available funds. The amount recorded as a commitment is the estimated procurement cost set forth in the commitment document. The date the authorized official signed the commitment document determines the accounting period the commitment is recorded in the general ledger. Officials can commit funds only to acquire goods, supplies, and services that meet the [time, purpose, and amount](#) for which Congress appropriated funds, or bona fide needs of the period to replace stock used during that period. See subparagraph 3.4.1 for further bona fide need concepts.

## 2.2 Recording of Commitments

A commitment must cite a Standard Line of Accounting (SLOA) in accordance with Volume 1, Chapter 4, and must be recorded in the general ledger in accordance with the United States Standard General Ledger (USSGL) Standard Financial Information Structure ([SFIS](#)) Transaction Library in Volume 1, Chapter 7.

## 2.3 Special Provisions for Determining the Amounts of Commitments

2.3.1. Criteria for Recognition of a Contingent Liability. A contingent liability is recognized when all of the following three conditions are met in accordance with the Statement of Federal Financial Accounting Standards ([SFFAS](#)) 5, “Accounting for Liabilities of the Federal Government,” paragraph 38.

2.3.1.1. A past event or exchange transaction has occurred. For example, a federal entity has breached a contract with a nonfederal entity.

2.3.1.2. A future outflow or other sacrifice of resources is probable. For example, the nonfederal entity has filed a legal claim against a federal entity for breach of contract, and the federal entity’s management believes the claim is more likely than not to be settled in favor of the claimant; and

2.3.1.3. The future outflow of resources is measurable. For example, the federal entity’s management determines an estimated settlement amount.

2.3.2. Contingent Liabilities Remaining under Outstanding Contracts. There are contingent liabilities for price or quantity increases or other variables that cannot be recorded as valid obligations in the cases of:

2.3.2.1. Outstanding fixed price contracts containing escalation, price redetermination, or incentive clauses;

2.3.2.2. Contracts authorizing variations in quantities to be delivered; and

2.3.2.3. Contracts where allowable interest may become payable by the U.S. Government on contractor claims supported by written appeals pursuant to the “Disputes” clause contained in the contract, see subparagraph 4.2.4.

2.3.3. Recording Contingent Liabilities Remaining under Outstanding Contracts. Carry amounts to cover these contingent liabilities as outstanding commitments pending determination of actual obligations. Conservatively estimate and record amounts based on judgment, experience, and the probability an obligation will materialize. The amount need not be recorded at the maximum or ceiling price under the contract. Allowances may be made for the possibility of downward price revisions and quantity under runs. Support each contingent liability with sufficient detail as referenced in SFFAS 5, paragraphs 38 and 39.

2.3.4. Letter Contracts and Letters of Intent. When accepted, record a letter contract, letter of intent, or [other undefinitized contract action](#) as an obligation, but only in the amount of the maximum liability stated. Other regulations may limit the maximum liability amount to the costs that the contractor may incur pending execution of a definitive contract. In that case, the estimated amount of the definitive contract, over and above the obligation recorded under the letter contract or letter of intent, must be carried as an outstanding commitment, pending execution of the definitive contract. If the letter stipulates that awarding of the definitive contract is dependent upon a congressional appropriation, then no funds are available and no commitment [is](#) recorded.

2.3.5. Open End Contracts and Option Agreements. Record a commitment for an open end contract or option agreement (when neither the items nor quantities are specified) only when the amount estimated is reasonably firm, [i.e.](#), are the subject of subsequent orders. Competent authorized personnel must determine the required quantities and quality specification [for](#) reasonable estimated prices. The existence of a specific dollar amount in the procurement directive or request does not make the dollar amount reasonably firm. [For](#) example, [experienced](#) personnel can estimate an amount useful in planning, [i.e.](#) an initial complement of spare parts will be acquired, but this amount is not reasonably firm [and may be](#) recorded as a memorandum “initiation” (see Chapter 15, [paragraph 3.3](#)), but not as a commitment.

2.3.6. Contract Modification or Engineering Changes. An authorization to execute engineering change orders during the course of performance of a contract may be recorded as a commitment upon the basis of a stated cost limitation even though the scope and amount of such changes are not yet defined and require specific approval of the person authorizing the procurement (or another designee) before the execution of the change orders. In such circumstances, however, it may be necessary to revise the authorization (and the recorded commitment) in light of subsequent events, including change orders actually placed.

\*2.3.7. Intragovernmental Requisitions and Orders. Record commitments [for](#) Intragovernmental requisitions and orders [using](#) Fiscal Service (FS) [Form 7600B](#), Department of Defense (DD) Form 448, Military Interdepartmental Purchase Request (MIPR), or other digital equivalent Federal Intragovernmental Data Standard. [DoD requisitions and orders are recorded as commitments prior to entry in the Government Invoicing \(G-Invoicing\) system.](#) See [additional guidelines and specifics on G-Invoicing](#) in section 8.0.

2.3.8. Multi-year Contracts. [Do not](#) record [contingent liabilities commitments](#) for multi-year contracts [with](#) cancellation charges, [i.e.](#), when it is necessary for the government to cancel the contract for reasons other than contractor liability, until it becomes necessary to cancel the contract and the contractor is notified.

2.3.9. Commercial Purchase Cards. Establish [commitments](#) in amounts no less than the periodic purchase limits authorized for commercial purchase cards. Commitments limit expenditures to funds available for the purchase card program. Establish commitments [for each distinct](#) line of accounting. Advance reservations of funds are used in conjunction with purchases made using purchase cards. Advance reservations of funds are established by the resource manager (or equivalent), in conjunction with the assigned Purchase Card Program agency program coordinator, and must be considered when setting office and cardholder purchase limits. The use

of advance reservations of funds will ensure positive funds control precluding expenditures from exceeding obligations. Refer to [OMB Circular A-123](#), Appendix B and the [DoD Government Charge Card-Guidebook](#) for additional guidance.

2.3.10. Imprest Funds. Record a commitment for imprest funds before advancing funds to the imprest fund cashier.

## 2.4 Validating Commitments

When drafting contracts, procurement officials may modify the description of deliverable goods and services or contract line item structure used on a funded purchase request. However, if these changes are substantial, there is a risk the goods and services procured no longer align with the purpose set forth in the purchase request for which the commitment was certified. To mitigate this risk, certifying officials must conduct an automated pre-award validation with the contract issuing organizations to validate that committed funds remain available and suitable for the draft award's intended purpose. This check must also ensure that the data in the accounting and procurement systems are sufficiently aligned to facilitate line item traceability between commitments and obligations, to facilitate payment. The structure must support posting obligations and line items with different accounting treatments that must be segregated. This transaction may be performed via the Global Exchange system using system agnostic data standards.

## 3.0 OBLIGATIONS

### 3.1 Definition

An obligation is a legally binding agreement or action that will result in outlays, immediately or in the future. When authorized agency personnel place an order, sign a contract, award a grant, purchase a service, or take other actions that require the government to make payments to the public or from one government account to another, the agency incurs an obligation. It is a violation of the Antideficiency Act, Title 31, United States Code (U.S.C.), section 1341(a) ([31 U.S.C. § 1341\(a\)](#)) to involve the Federal Government in a contract or obligation for payment of money before an appropriation is made, unless authorized by law. Funds that are not legally obligated before their period of availability expires are no longer available for new obligations. The period of availability applies to the obligation of funds, not the liquidation of the obligation by disbursement of payment (expenditure). Chapter 10 prescribes policy related to adjustments to obligations or expenditures chargeable to expired and canceled accounts. Provisions of Chapter 15 and Volume 14, Chapter 1 require that funds be allotted to DoD Component activities before the activities incur obligations. Additionally, obligations may not be made in excess of apportionments or formal subdivisions of funds. Chapter 11 specifies the recording of obligations related to unmatched disbursements and negative unliquidated obligations. Unless otherwise specified, DoD Components have primary responsibility for recording obligations. It is imperative only authorized personnel have the appropriate authorization for Generally Accepted Accounting Principles compliance. Such authorizations are explicitly delegated primarily through the issuance of a Delegation of Authority Memorandum or an Appointment/Termination Record-Authorized Signature [DD Form 577](#). As a result, authority is vested to such individuals to either make legal adjustment or take corrective action to

properly align the commitments and obligations. See section 14.3 for recording obligations by the accounting office [that](#) does not have the primary responsibility for such recording.

### 3.2 Obligation Responsibilities

[31 U.S.C. § 1501](#), “Documentary Evidence Requirement for Government Obligations,” directs that amounts must be recorded as obligations only when supported by documented evidence. The office that incurs an obligation must provide, within [five](#) calendar days of the date the obligation is incurred, a copy of the obligating document(s), via electronic mail, fax, or other documented means, to the office responsible for recording the obligation. The office that is responsible for recording the obligation must record the obligation in the official accounting records within [five](#) calendar days of receipt of such documentation, information, or data. Timely and accurate recording of obligations facilitates the disbursing officer’s ability to verify fund availability before authorizing a [timely](#) payment.

### 3.3 Recording Obligations

3.3.1. All business and financial events resulting in an obligation must cite a SLOA in accordance with Volume 1, Chapter 4, and must be recorded in the general ledger in accordance with the SFIS Transaction Library in accordance with Volume 1, Chapter 7.

3.3.2. When recording obligations under this section, utilize the following principles:

3.3.2.1. Documented Evidence. An amount must be recorded as an obligation only when supported by documentary evidence of the transaction. A verbal order or agreement must be reduced to writing before the obligation may be recorded. When the amount is not known or cannot be feasibly ascertained at the time it is recorded, the best estimate must be used. [Document the best estimate to include relevant inputs, assumptions, and calculations.](#) In accordance with Volume 1, Chapter 9, retain evidence to support the transaction.

3.3.2.2. Ten-Day Rule. [Record obligations in the official accounting records at the time a legal obligation is incurred, i.e., contract is signed.](#) In all instances, obligations must be recorded within 10 calendar days following the day that an obligation is incurred (to include obligations incurred when invoices are overpaid or duplicate payments are made). Notwithstanding the ten-day rule, record [all obligations \(per line of accounting\)](#) in the official accounting records in the same month in which the obligation is incurred. If an obligation is not recorded within the specified timeframe, follow section 14.0.



### 3.4 Recording Contract Obligations

Offices generating contract obligations in the form of a contract, order, or modification; must provide official evidence of the obligations, and other supporting documents, to the office responsible for recording the obligation, via electronic format as defined in the Defense Federal Acquisition Regulation Supplement (DFARS) Procedures, Guidance, and Information (PGI) 204.201, and in accordance with the SFIS data elements required in Volume 1, Chapter 4, and posting logic in Volume 1, Chapter 7. Load obligations manually, within five calendar days from the signature date on the contract or contract modification, based on the official obligating documents in the Electronic Document Access System, if the transactions fail to upload electronically. If the contract contains errors, omissions or deficiencies that prevent posting, a Contract Deficiency Report must be created to document the deficiency and request corrective action in accordance with PGI 204 270-2.

3.4.1. Contracts or Orders for Goods, Supplies, or Services to Meet Bona Fide Need. DoD Components must determine that the goods, supplies, or services required under contracts, or orders placed obligating an annual or multiple year appropriation, are intended to meet a bona fide need of the period for which funds were appropriated. Additionally, a buying activity's project order must serve a bona fide need that exists in the fiscal year in which the project order is issued; otherwise, a valid obligation is not accomplished. Bona fide need generally is a determination of the buying activity and not that of the selling/performing activity. A selling activity must refuse to accept a project order if it is obvious the project order does not serve a need existing in the fiscal year in which issued. Such determinations must consider estimated current consumption; the requirements that may be foreseen for future years based upon the procurement lead-time; authorized stock levels; and authorized mobilization reserves. It is not intended that the bona fide need of the fiscal year rule be construed to preclude procurement lead-time. If, a provision of law makes such appropriations available for payments under contracts for specified services for periods beyond the period for which the appropriation otherwise is available, the contract for such services extending into the ensuing period (fiscal year) may be charged to the appropriation current at the time that the contract is signed. Obligate funds for each option period after funds become available. Obligations must be consistent with all normal limitations on the obligation of appropriated funds, such as the bona fide needs rule, period of availability, and type of funds. See Volume 11A, Chapter 2.

3.4.1.1. Execution Requirements Under Contracts or Orders. Contracts entered into or orders placed for goods, supplies, or services must be executed only with bona fide intent that the contractor (or other performing activity) must commence work and perform the contract without unnecessary delay.

3.4.1.2. Execution of Standard Commercial Items. For standard commercial items readily available from other sources, the bona fide needs rule cannot be satisfied based on the delivery, production or manufacturing lead-time exception to the bona fide needs rule if the materials were obtainable by another source before funds expired. See Volume 11A, Chapters 2 and 18.

3.4.1.3. Delivery Withhold. If the contractor is directed to withhold delivery until after the lead-time, then there is not a bona fide need for the item in the current fiscal year and funds for the next fiscal year must be used.

3.4.2. Service Contracts. Service contracts may be either severable or non-severable. Services are generally chargeable to the appropriation current at the time the services are rendered. The contract is thereby, established in a manner that defines the contractors level of responsibility to provide a specified level of effort for a stated period. The determination to charge the appropriation current on the date the contract is let, or to charge the funds current at the time services are rendered, depends upon whether the services are “severable” or “entire.” A contract that is considered entire or non-severable is charged to the fiscal year current when it was let even though performance may extend into the next fiscal year. Service contracts that are considered severable must be charged to the fiscal year in which the services are rendered and may not cross fiscal years, absent statutory authority. There is no precise formula or rule that determines whether a contract is severable or entire. Each case must be determined by the terms and circumstances involved. Non-severable services may occur at a contract line item level as defined in [DFARS 204.7101](#).

3.4.2.1. Severable Services. A contract is severable when the related services are continuing and recurring in nature and the scope of the work to be performed is defined in the general terms of the contract. Service contracts can be for either a single undertaking or end item (entire) or for performance with compensation fixed in proportion to the amount of service performed. Absent statutory authority, the term of a severable service contract that is funded by annual appropriations will not extend beyond the end of the fiscal year current at the time the contract is awarded except when authorized by law. Option years are treated as new contracts; therefore, when the severable service contract has renewal options, obligate funds for the basic period and any penalty charges for failure to exercise options. Refer to [10 U.S.C. § 3133](#) for statutory authority permitting full obligation of severable service contracts that begin in one fiscal year and end in the next, provided the contract period does not exceed one year. The contract period for performance of severable services must begin during the fund’s period of availability and may not exceed the fund’s period of availability, absent statutory authority.

3.4.2.2. Non-Severable Services. A service contract is non-severable if performance of the service results in a single or unified outcome, product, or report that cannot be subdivided. The performance period of a fixed price non-severable services contract may cross fiscal years, but must be fully funded in the initial fiscal year unless contract funding requirements exist set forth in [DFARS 232.703-1\(1\)\(ii\)](#). Unless the period of performance is entirely within a single fiscal year or within the charged account’s period of availability if funded using a multi-year appropriation, non-severable services contracts may not be funded on an incremental basis unless Congress has authorized incremental funding. These type contracts must be funded entirely with appropriations available for new obligations at the time the contract is awarded or options exercised.



### 3.4.2.3. Training Contracts.

3.4.2.3.1. Single Training Courses Not Covered by Statute. Unless covered by statute, training contracts for single training courses are considered a single undertaking (entire). Record the obligation at the time the contract is executed for the full amount of the contract. In general, the training represents a single undertaking where benefit of the training is received when the employee has completed the training in full. Training contracts must be obligated in full within the fiscal year that funding is current at the time the contract is executed even though the course extends into the next fiscal year. Training courses that begin on or after October 1 may constitute a bona fide need of the prior year if the need for training is an immediate need in the prior year and if the commencement of the course in the next fiscal year is beyond the agency's control. The time between award of the contract for the training and performance of the training should not be excessive.

3.4.2.3.2. Bona Fide Needs Rule Exception for Special Training Courses Covered by Statute. In accordance with Regional Defense Combating Terrorism and Irregular Warfare Fellowship Program (CTFP), [10 U.S.C. § 345](#), DoD appropriated funds may be used to pay costs associated with the education and training of foreign military officers, ministry of defense officials, or security officials at military or civilian educational institutions, regional centers, conferences, seminars, or other training programs. Appropriated funds available for training under the CTFP may be obligated for education and training programs that begin in one fiscal year but end in the next fiscal year. Provided that obligations are incurred before an annual appropriation expires, individual severable elements of a specific program may commence in the next fiscal year. Thus, for a particular program that already is underway, expiring funds may be obligated for tuition in September for a course that will not complete until the next fiscal year.

## 3.5 Recording Maintenance and Repair Projects Obligations

Current fiscal year appropriations may be obligated for those maintenance and repair contracts awarded near the end of the fiscal year, even though contractor performance may not begin until the following fiscal year. The contract must satisfy a bona fide need that exists in the fiscal year of the appropriation to be charged. In addition, contracts awarded near the end of the fiscal year must contain a specific requirement that work begins before January 1 of the following calendar year. Guidelines for the administrative contracting officer to use in determining the commencement of work are as follows:

3.5.1. Physical Onsite Evidence. A visual inspection of the work site discloses significant work has been accomplished, or contractor employees are actually engaged in work performance (no further verification is necessary).

3.5.2. Documentary Evidence. If physical onsite evidence of performance does not exist, and to prevent unwarranted default proceedings, the contractor may be requested to produce documentary evidence that cost has been incurred or material has been ordered to allow performance of the contract.

3.5.3. Contractor Default. In the event of contractor default and termination for default of the contract, the appropriation charged for the original contract remains available for obligation for a “replacement” contract if certain conditions exist.

3.5.3.1. The contract must satisfy the following general criteria to be considered a replacement contract, as opposed to a new contract:

3.5.3.1.1. The replacement contract must be made without undue delay after termination of the original contract.

3.5.3.1.2. Its purpose must be to fulfill a bona fide need that has continued from the original contract.

3.5.3.1.3. The replacement contract must be awarded on the same basis and be substantially similar to the original contract in its scope and size.

3.5.3.2. Re-procurement or completion costs, liquidated damages, and performance bond money recovered from the contractor as refunds must be retained and applied to the replacement contract’s specific appropriation. Amounts recovered that exceed the actual costs of the replacement contract must be deposited as miscellaneous receipts. See Chapter 10 for policy guidance concerning obligation of expired funds for replacement contracts and obligation adjustments for contract changes.

### 3.6 Determining Scope of Work Changes

3.6.1. Responsibilities for Making Determinations. The contracting officer is primarily responsible for determining whether a change is within the scope of a contract. In making a determination, the contracting officer must [apply](#) appropriate provisions of the FAR, the DFARS, legal principles applicable to scope changes, and the provisions of this Regulation. In cases where no clear determination can be made, the cognizant counsel must provide appropriate guidance and determinations concerning the scope of a contract.

3.6.2. Standards for Making Determinations. Statutes and DoD policies for the use of appropriations limit the period of availability to fund new obligations. However unobligated balances that have expired for the purpose of new obligations, are available to fund within scope cost growth or increases in costs from claims arising out of the original obligation. The baseline scope of a contract is all work that is contracted for prior to the expiration of funds. This includes changes incorporated by modification, provided they are within the scope of the contract.

3.6.3. Increases in Quantities. Changes in the quantity of the major items called for in a contract generally are a change in contract scope and not authorized under the “Changes” clause. Therefore, fund a contract change that increases the number of end items ordered from funds available at the time the change is made. For example, if the original contract provided for delivery of 50 items and a modification was issued to provide for the delivery of 70 items, the additional 20 items would represent a change in the scope of the contract. Thereafter, cost growth, or claims arising out of the delivery of the first 50 items, would be funded from the appropriation available at

the time of the order of those items, and those arising out of the additional 20 items would be funded from the appropriation charged for those items. The foregoing applies in general; however, changes in the quantity of subsidiary items under a contract, such as spare parts, generally are within the scope of a contract unless they are so significant that they alter the basic contractual undertaking.

3.6.4. Increases in Required Levels of Service Performance. Any modification of a service contract requiring additional deliverable services is a change in scope. Fund such changes with appropriations available at the time of the change. For example, a contract modification for accounting and audit services to add onsite technical assistance and training to grantees of the agency is a change in scope and is beyond the scope of the original contract. Fund this change with funds available at the time of the change. Conversely, an increase in the number of people needed to complete the original contract, or to their level of expertise, would be a within scope cost growth change that could be funded as part of the original contract. See Chapter 10 for additional policy on within scope and change of scope determinations.

3.6.4.1. A contract modification to provide research and development for a new weapons system designed to reach given levels of performance could be beyond the scope of the original contract. If, however, the “Changes” clause specifically authorizes unilateral changes within the scope of the contract (such as specifications, drawings, and designs pertaining to the contract), then, the fact there is a possible change in the performance level specifications, does not, thereby, automatically result in a change in scope. Additionally, an increase in the number of people assigned to the project, or increased travel costs is within scope cost growth that could be funded as part of the original contract.

3.6.4.2. A modification for a cost-type level of effort contract with specified number of hours and level of personnel experience and training, which calls for a change in the specified number of hours or the level of experience and training, could be a change in scope. An increase in direct or indirect rates under the contract is within scope cost growth and could be funded as part of the original contract.

3.6.5. Claims. Fund claims arising out of an original undertaking, or resulting from a within scope change, from the appropriation available at the time of the original undertaking. Fund claims arising out of a change in scope to the original contract from the appropriation available and charged for the change in scope.

### \*3.7 Due Diligence

Fund holders, entrusted by components (buyer/receiving organizations) with administrative subdivisions of funds, ensure appropriated funds are used consistently with the intent, time, purpose, amount, and bona fide need for which the funds were provided. Fund holders must exercise due diligence in committing, obligating, de-committing, and de-obligating funds and generating inter- and intra-governmental orders through prescribed practices and oversight of documentation including contract, invoice, disbursement, and relevant supporting information. Fund holders must effectively collaborate with mission stakeholders including accountants, contracting officers, program managers, and logistics personnel. For generating

orders, see paragraph 15.2 for component/buyer fund holder and seller/servicing agency funding official responsibilities. The following is a checklist for due diligence compliance:

3.7.1. Internal control systems are adequate.

3.7.2. Information is reliable and valid.

3.7.3. Applicable laws, regulations, and policies are followed.

3.7.4. Resources are safeguarded and managed economically and efficiently.

3.7.5. Desired program results are achieved.

3.7.6. Operations are effective and efficient.

3.7.7. Commitments and obligations valid, and the fund level is sufficient to support the bona fide need. Refer to section 16.0.

3.7.8. Goods and services are [received](#) or outstanding.

#### 4.0 RECORDING JUDGMENT FUND OBLIGATIONS

##### 4.1 Legal Authority

The Judgment Fund is available for court judgments and Justice Department compromise settlements of actual or imminent litigation against the government. Judgment Fund awards and settlement must be funded on a non-reimbursable basis for various types of litigation identified in [31 U.S.C. § 1304](#), “Judgments, Awards, and Compromise Settlements.” Section 1304 and the Contract Disputes Act of 1978, [41 U.S.C. § 7108](#), “Payment of Claims,” provide that awards and settlements involving appropriated fund contracts are payable from the Judgment Fund, subject to reimbursement from agency appropriations. The Fund also is available for awards and settlements involving discriminatory conduct by an Agency (such as DoD) under statutes identified in the Notification and Federal Employee Antidiscrimination and Retaliation Act of 2002,” commonly known as the No FEAR Act.

##### 4.2 Reimbursement of Contract Dispute Act Judgments

In accordance with 31 U.S.C. § 1304, and 41 U.S.C. § 7108, litigation and settlements subject to the Contract Dispute Act (CDA) of 1978 are paid promptly by the U.S. Department of the Treasury (Treasury) from the permanent appropriation, “Judgment Fund.” After such payment, the DoD Component is required to reimburse the Judgment Fund.

4.2.1. The affected DoD Components first must determine what appropriation(s) originally funded the portion of the contract that led to the claim and subsequent judgment.

4.2.2. The Judgment Fund must be reimbursed with funds available for the same purpose that was current at the time of the judgment provided by 41 U.S.C. § 7108. Use expired appropriations that were current at the time of the judgment to reimburse the Judgment Fund. If insufficient unobligated balances exist in the expired appropriation or the account has closed, use authority of 31 U.S.C. § 1553 to charge the current appropriation available for the same purpose or obtain a special supplemental appropriation from Congress. If more than one appropriation is involved in the monetary judgment, then the reimbursement is prorated against those appropriations. Any proration between or among appropriations must be based on the nature of the claim and the basis of the monetary judgment in the particular case. Record obligations against current funds at the time the awards are made by the deciding official or by the court. See Chapter 10 for requirements, restrictions, and limitations related to recording amounts against expired and closed accounts.

4.2.3. Within 15 business days after paid claim confirmation, the Treasury Judgment Fund Branch sends a letter to the responsible DoD Component point of contact requesting reimbursement. Within 30 days of receipt of notice for reimbursement, the responsible DoD Component must repay Treasury's Bureau of the Fiscal Service (BFS) or contact BFS to make payment arrangements. If the impacted DoD Component fails to respond within 60 business days of the first and second demand letters, BFS will send a letter to the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer (OUSD(C)/CFO). The letter is sent quarterly to the OUSD(C)/CFO along with a statement summarizing the outstanding CDA amounts due to the Treasury. Component quarterly balances are posted on the Treasury Direct website under the reports section at [Treasury Managed Accounts Reports](#).

4.2.4. Reimbursement to the Treasury is not an antecedent liability of the original contract. Therefore, reimbursements must not be charged back to the original fiscal year appropriation that funded the contract, unless the original appropriation was still current at the time of the judgment. Further, the existence of the legal requirement to reimburse the Judgment Fund does not give rise to a violation of the Antideficiency Act. See Volume 14, Chapter 2 for policy on violations of the Antideficiency Act.

4.2.5. In all official accounting and reporting systems, a separate and unique Budget Line Item (BLI) designator is assigned for the recording and reporting of such reimbursements. This BLI designator is identified as a separate line on the Appropriation Status by Fiscal Year Program and Subaccounts (DD Comp (M) 1002). This new line of accounting is to be called "Judgment Fund Reimbursement." Funds must be reprogrammed into this new line from existing allotted funds within the appropriation. These reprogrammed funds are not subject to normal reprogramming rules with respect to the increase, but must conform to reprogramming guidance governing delegated authority for program reductions.

4.2.6. Upon identification of funds to be charged and completion of any reprogramming actions, the documented package must be forwarded to the Defense Finance and Accounting Service (DFAS) site that has accounting responsibility for the designated fund accounts to process

the payment. Ordinarily, a miscellaneous obligation document must be used to obligate the designated fund accounts. However, if programming actions have reserved funds, the DFAS may be authorized to process the payment as an obligate-expend transaction. DFAS may process the transfer of funds for the payment to Treasury's Judgment Fund using the Intra-Governmental Payment and Collection (IPAC) system.

4.2.7. Approval authority is required from the cognizant Assistant Secretary of the Military Department (Financial Management and Comptroller) or Defense Agency Comptroller for all Judgment Fund Reimbursements to the Treasury in excess of \$1 million.

#### 4.3 Reimbursement of No FEAR Act Judgments

As provided for in 5 [Code of Federal Regulation](#) 724, Subpart A, DoD Components must reimburse the Judgment Fund for all judgments resulting from discrimination and No FEAR Act claims covered under authority of [5 U.S.C. § 2301](#). Reimbursements under the No FEAR Act include reimbursements for payments of judgments, awards, or settlements with respect to discrimination and whistleblower protection cases.

4.3.1. [Within 15 business days](#) after the Treasury makes a payment from the Judgment Fund, [Treasury](#) will issue a written notification (electronically or by other means) concurrently to the [Under Secretary of Defense Comptroller \(USD\(C\)\)](#), CFO and/or Deputy CFO, the responsible DoD Component's reimbursement point of contact, and the DoD Component's Chief Counsel, with copy of the demand notice provided to DFAS.

4.3.2. Upon receiving a Judgment Fund notice from BFS, the responsible DoD Component must reimburse the Judgment Fund within 45 business days using the appropriation, fund, or other account available for operating expenses of the DoD Component to which the No Fear Act judgment or discriminatory matter stemmed. If payment cannot be made within 45 business days, the DoD Component must contact the BFS directly to make arrangements for payment for the Judgment Fund.

4.3.3. If a DoD Component fails to reimburse the Judgment Fund within the required 45-day period or establish a payment plan with BFS, a posting will be made annually by BFS to its public website denoting the DoD Components that are delinquent.

#### 4.4 Administrative Oversight Roles and Responsibilities for Judgment Fund

##### 4.4.1. The OUSDC, Program and Budget must:

4.4.1.1. Coordinate and resolve any issues that arise regarding DoD Components ability to identify funding sources to reimburse Judgment Fund. This may require, but is not limited to, assisting DoD Components in identifying available appropriations and/or unobligated balances available to reimburse the Judgment Fund when necessary, advising on availability of current or expired funds for such reimbursements, or coordinating actions to facilitate initiation of reprogramming requests.



4.4.1.2. Coordinate judgment fund actions (as needed) with the DoD Office of General Counsel (Fiscal) to obtain legal advice concerning matters related to the Judgment Fund.

4.4.2. DFAS must:

4.4.2.1. Provide DoD-wide oversight and guidance on the accounting and reporting processes related to the Judgment Fund to include reporting and responding to accounts payable issues related to outstanding Judgment Fund liabilities payable, as needed.

4.4.2.2. Prepare accounts payable reports or other schedules denoting outstanding Judgment Fund balances and/or delinquencies and convey these balances to DoD Components (customers).

4.4.2.3. Reconcile, consolidate, and accurately report financial statement data on Judgment Fund liabilities in the DoD/Agency-wide financial statements and respond to general inquiries relative to Judgment Fund liabilities reported.

4.4.2.4. Write consolidated notes supporting financial statements to include documenting and/or reporting of Judgment Fund liabilities for inclusion in the DoD Agency Financial Report (DoD AFR). After DFAS provides the financial statement notes to OUSD(C), OUSD(C) has final responsibility for the presentation within the DoD AFR.

## 5.0 RECORDING GOVERNMENT-WIDE COMMERCIAL PURCHASE CARD OBLIGATIONS

Record obligations for Government-Wide Commercial Purchase Cards in the amounts placed for orders for goods or services. For additional information on purchase cards, see the Department of Defense Government Charge Card Guide.

## 6.0 RECORDING OBLIGATIONS FOR PROCUREMENT CONTRACTS AND ORDERS

### 6.1 Firm Fixed Price Contract

When the contract is executed, [record](#) an obligation for the total amount stated in the contract.

### 6.2 Fixed Price Contract with an Escalation, Price Redetermination, or an Incentive Provision

When the contract is [executed](#), [record](#) an obligation for the target or billing price stated in the contract, even though the contract may contain a ceiling price in a larger amount. Subsequently, a target or billing price should be adjusted (upward or downward) to a “best cost estimate” whenever it is determined that, and documentary evidence supports, the actual cost of the contract will differ materially from the original target or ceiling price stated in the contract.

### 6.3 Cost Reimbursement and Time and Material Contracts

Cost reimbursement and Time and Material (T&M) contracts include: cost, cost sharing, cost plus fixed fee, cost plus incentive fee, cost plus award fee, time and material, and labor hour contracts. When the contract is executed, record an obligation for the total estimated contract ceiling, including the fixed fee in the case of a cost plus fixed fee contract, the target fee in the case of a cost plus incentive fee contract, or the base fee in the case of a cost plus award fee contract. Increase or decrease amounts provided by contract modification, or a unilateral revision of an award fee estimate made by the contracting office. Record any fee awarded in excess of the target fee in a cost plus incentive fee contract as an obligation at the time of determination. The amount of the obligation established for a cost plus award fee contract must be adjusted at the time the actual or final fee award amount is determined (see [DFARS 216.405-2](#)). If the contract is incrementally funded, the amount obligated must always be the funded increments.

### 6.4 Indefinite Delivery Type Contracts

Where the quantity required under a contract is indefinite, determine the ultimate amount of obligation by subsequent orders; however, record the amount of any required minimum order specified as an obligation upon execution of the contract. For contracts that require the contractor to perform unilaterally placed orders above the required minimum, record an obligation in the amount of the order price or ceiling at the time the order is placed. Record an obligation in the amount of the agreed price or ceiling for an order in excess of the required minimum (as negotiated or accepted under terms of the contract) upon contractor's acceptance of the order. In the case of orders for services where a contractor cannot undertake performance without direction from an authorized government official, order amounts may be consolidated periodically (at least monthly) into a list of orders placed with the contractor identifying the estimated dollar amount of each. On definite quantity contracts, obligate the full amount of the definite quantity at the time of contract award.

### 6.5 Contract Authorizing Variations in Quantities to be Delivered

When executing the contract, record an obligation for the price of the quantity specified for delivery, exclusive of the permitted variation. The amount recorded may be increased or decreased to reflect the quantity actually delivered and accepted.

### 6.6 Multi-year Procurement Contract

Record an obligation for a multi-year procurement contract in the amount of the price of the quantities specified for delivery in the first program year, and the amount must be identified with that program year. Unless the contract is funded fully at inception, each time the contractor is notified that funds are available to cover another program year requirement; an obligation must be identified with that program year and recorded in the amount of the price of the quantities specified for delivery. If the contract is canceled, an obligation must normally be charged to the program year current at the time of cancellation to cover the government's liability under the terms of the contract.



## 6.7 Letter Contract or a Letter of Intent

6.7.1. When the offer and acceptance are sufficiently definitive to show the purpose and scope of the final contract to be executed, a letter contract or a letter of intent, and any amendments accepted in writing by the contractor, is documentary evidence to support the recording of an obligation. Record the obligation in the amount stated as the maximum liability under the letter or amendment.

6.7.2. The maximum liability may be a limitation on the amount of obligations that may be incurred pending execution of a definitive contract. In this case, the estimated amount of the definitive contract, over and above the obligation recorded under the letter of intent, is carried as a commitment, pending execution of the definitive contract, unless the letter of intent provides that awarding of the definitive contract is dependent upon congressional appropriation action.

6.7.3. Commitments with funds that will expire, cannot be carried past fiscal year-end.

## 6.8 Interest on Contractor Claims

Contractor claims made pursuant to CDA and settled by the contracting officer in the contractor's favor may generate interest payable to the contractor. In such cases, record an obligation for the interest payable under the appropriation that financed the contract. Such interest must be applied from the date payment was due, and is not calculated or paid pursuant to the Prompt Payment Act. Parties settling a CDA dispute may bargain away all or part of the interest in a settlement agreement.

## 6.9 Interest Payable under the Prompt Payment Act

Interest penalties are payable in accordance with Volume 10, Chapter 7 and are recorded as obligations against amounts available to carry out the program for which the penalty is incurred in the fiscal year or years in which the interest accrues. Penalties are charged to appropriations of the agency that funded the contract.

## 6.10 Purchase Orders

6.10.1. Record an obligation in the amount stated on the purchase order when issued. This occurs when the purchase order represents acceptance of a binding written offer of a vendor to sell specific goods or furnish specific services at a specific price, or the purchase order was prepared and issued in accordance with small purchase or other simplified acquisition procedures.

6.10.2. Record a purchase order requiring vendor acceptance (to form a binding contractual agreement) as an obligation in the amount specified in the order at the time of acceptance. Retain evidence of this acceptance. If written acceptance is not required or provided, then commencement of performance constitutes acceptance by the vendor, and the amount of the order must be recorded as an obligation in accordance with Volume 1, Chapters 4 and 7.

Formation of the binding contractual agreement should occur during the period of availability of the appropriation cited on the purchase order. If contract formation occurs after expiration of the period of availability, record the obligation against current funds, and modify the purchase order accordingly.

#### 6.11 Amendment of a Contract

A change in the government's contractual liability amount that results from a within scope change amendment is chargeable generally to the appropriation or other fund current at the time the contract was executed. Specific applications of and exceptions to this general rule include:

6.11.1. For a contract modified pursuant to a clause authorizing equitable adjustment to contract terms (including price) within the general scope of the contract, record obligation increases or decreases by the amount specified by any and all amendments or modifications when executed. For a fixed price contract, charge or credit the original source of funds on the contract.

6.11.2. Pursuant to the provisions of 50 U.S.C. §§ 1431, 1432, 1433, and 1435; adjust the amount of a recorded obligation to reflect an increase or decrease resulting from a determination made that results in the correction of a mistake or the formalization of an informal agreement. Record the adjustment against the same source of funds for the original obligation when the amendment or modification does not change the scope of the contract and, thus, does not result in a new procurement. When the scope of the contract is increased, charge to the appropriation or fund available at the time the amendment is executed.

6.11.3. For a contingent obligation, such as one existing under an indemnification clause or a clause involving an equitable adjustment, record an obligation only in the amount of the contractual liability incurred when the amendment updating the contingent obligation is executed. If no amendment is required, the obligation is recorded when the event occurs that updates the amount of the liability under the contingent obligation. Record the obligation against the same source of funds originally cited on the contract.

6.11.4. When a price increase occurs in one or more items in a fixed price contract containing an escalation clause, a price redetermination clause or an incentive provision, or in the fee in a cost plus incentive fee contract; record an obligation in the amount of the increase at the time the changed price or fee is determined in accordance with the terms of the contract. Record the obligation to the original source of funds for the contract.

6.11.5. In some instances, it is appropriate to reduce a recorded obligation for firm fixed price contracts with escalation, price redetermination, or incentive provisions. This occurs when the contracting officer determines, after consideration of all circumstances including available costs and production data or tentative offers from contractors, (and the fund holder or a designee approves) that the anticipated amount of liability under the contract could be reduced. Record the decrease in obligation by the amount determined and approved. See paragraph 16.8 for additional guidance on the de-obligation of funds.

6.11.6. Contract modifications that increase funding on cost reimbursement contracts above the original contract ceiling, and which are not based on an antecedent liability enforceable by the contractor, are at the government's discretion and are chargeable to funds available when the increase is granted, rather than funds from the fiscal year cited on the original contract.

## 6.12 Termination of Contracts and Agreements

When a contract or agreement is terminated in whole or in part for the convenience of the government, by giving a "Notice of Termination" to the other party to the contract or agreement, decrease the recorded obligation to an amount sufficient to meet the settlement costs under the termination. Similarly, the commitment must also be decremented to align to the forecasted obligation amount. The obligation cannot be decreased below the amount estimated by the contracting officer, based on the best evidence then available, as the amount due as a direct result of the termination.

## 6.13 Foreign Currency Exchange Fluctuations

Determine and record changes in obligations and contractual liabilities caused by foreign currency exchange fluctuations when payment is made. For foreign currencies not specified in a special foreign currencies fluctuations appropriation account, make adjustments at fiscal year-end or any other time a significant change occurs to avoid over obligation of an allotment. If a contract is priced in foreign currency, the agency must ensure that adequate funds are available to cover currency fluctuations to avoid a violation of the Antideficiency Act. See Volume 6A, Chapter 7 for guidance on foreign currency fluctuations.

## 7.0 RENTAL AGREEMENTS AND LEASES OF REAL AND PERSONAL PROPERTY

### 7.1 Amount Recorded as an Obligation on Rental and Lease Agreements

Record as an obligation amount based on the agreement or lease, or on a written administrative determination of the amount due under its provisions.

### 7.2 Rental Agreement Terminated by the U.S. Government

Under a rental agreement that may be terminated by the U.S. Government at any time without notice, and without incurring any obligation to pay termination costs, record the obligation each month at the time of payment, in the amount of the rent for that month.

### 7.3 Rental Agreement Terminated Without Costs, with Notification

Under a rental agreement providing for termination without costs upon giving a specified number of days for notice of termination, record an obligation upon execution of the agreement in the amount of rent payable for the number of days of notice called for in the agreement. In addition, record an obligation each month in the amount of the rent payable for that month. When the number of days remaining under the lease term equals the number of days' advance notice required under that lease, no additional monthly obligation is recorded.

#### 7.4 Rental Agreements with Specified Dollar Payment

Under a rental agreement providing for a specified dollar payment in the event of termination, record an obligation upon execution of the agreement in the amount of the specified minimum dollar payment. In addition, record an obligation each month in the amount of the rent payable for that month. When the amount of rent remaining payable under the terms of the agreement is equal to the obligation recorded for the payment in the event of termination, no additional monthly obligation is recorded.

#### 7.5 Domestic or Foreign Rental Agreement Not Exceeding 12 Months

For a domestic or foreign rental agreement not exceeding 12 months that is financed under an annual appropriation, record an obligation at the time of its execution in the total amount of rent specified in the agreement even though the period of the lease extends into the subsequent fiscal year as addressed in 10 U.S.C. § 2410a. Leases of structures and real property, other than military family housing, in foreign countries may be entered into for periods of up to 10 years under authority of [10 U.S.C. § 2675](#), and the rent for each yearly period is paid from funds appropriated for that year. Leases of family housing in foreign countries may be for periods of up to 10 years (15 years in Korea) and rent may be paid on an annual basis from funds appropriated for that year. If the laws, regulations, or customs of a foreign country require advance payment for rent, the advance payment may be made in accordance with [10 U.S.C. § 2396](#). For the legal, regulatory, or customary term of a foreign lease, an obligation may be recorded against the current appropriation in the same amount at the time the lease is consummated. Refer to Volume 4, Chapter 5 for guidance on accounting for advances and prepayments.

#### 7.6 Domestic Lease Agreements for Periods Greater Than One Year

Domestic lease agreements entered into for periods greater than one year under authority delegated by the General Services Administration (GSA) in accordance with [40 U.S.C. §§ 581](#) and 121 need not include a provision that lease funding in future fiscal periods is subject to fund availability in those future fiscal periods. Annual rental payments may be made from funds appropriated for that fiscal year as authorized under [40 U.S.C. § 585](#). Leases must be fully funded at inception unless the lease includes a cancellation clause. Should a cancellation clause apply, the maximum liability is the amount of the lease payments over the minimum lease period plus any required cancellation payment.

#### 7.7 Obligations for GSA Standard Level User Charges

Record obligations to the GSA for standard level user charges as specified in the GSA bill.

## 8.0 INTRA-GOVERNMENTAL REQUISITIONS AND ORDERS PLACED WITH DOD COMPONENTS OR OTHER U.S. GOVERNMENT AGENCIES

The Treasury's [G-Invoicing](#) system is used to negotiate, broker, and electronically store the General Terms and Conditions (GT&C) and activity between buyers and sellers for inter- and intra-governmental reimbursable transactions. The standard Interagency Agreement form is comprised of two forms, the GT&C (FS Form 7600A) and the Order Requirements and Funding Information (Order) (FS Form 7600B). When trading partners enter orders in the G-Invoicing system, the partners leverage data in the common repository to improve accuracy in accounting and reporting.

### 8.1 Reimbursable Procurement

8.1.1. The term “reimbursable procurement” refers to an order for supplies, material, services or equipment placed by a [buying](#)/requiring DoD Component for:

8.1.1.1. Procurement by [seller/servicing](#) DoD Component (or a major organization unit within the component) or Federal Agency on a contract funded by the procuring DoD Component or Federal Agency.

8.1.1.2. Delivery to and reimbursement by the [buying](#) DoD Component.

8.1.2. The [buying](#) DoD Component records an obligation for a reimbursable order using the date and amount of acceptance by the [seller](#) activity.

\*8.1.3. An FS Form 7600B, DD Form 448 MIPR, or other document as appropriate, may be used for processing reimbursable procurements. Obligation occurs when the [seller's](#) responsible government official [digitally or manually](#) signs the DD Form 448-2, Acceptance of MIPR, [other digital equivalent of the Federal Intragovernmental Data Standard](#), or other document, as appropriate; and returns to the [buyer's](#) office responsible for posting the obligation or customer order. For FS Form 7600B, both the funding and program official must sign. Additional guidance on MIPR processing can be found in the DFARS, PGI, subpart 253.208, and see Treasury Financial Manual Part 2, Chapter 4700 for FS Form 7600B processing.

### 8.2 Direct Citation Procurements

The term “direct citation procurement” refers to procurement accomplished by combining the requirements of one or more DoD Components with those of the [seller/servicing](#) DoD Component. The [selling](#) DoD Component may issue one contract with separate schedules showing the quantities, prices, dollar amounts, and citation of funds of each [buying](#) DoD Component. The [buying](#) DoD Component records a direct citation order as an obligation when notified in writing that the [selling](#) DoD Component's contract or project order has been executed, or when a copy of the contract or project order is received. MIPRs or [other digital equivalent](#) used for these orders are not complete until the MIPR Acceptance is [digitally or manually](#) signed by the [seller](#), and received and signed by the [buying](#) office responsible for posting the obligation.

### 8.3 Reimbursable Orders with Other DoD Activities

Reimbursable orders with other DoD activities for specific supplies, material, equipment, work, or services, may be placed under the Project Order statute ([41 U.S.C. § 6307](#)), the Economy Act ([31 U.S.C. § 1535](#)), or other applicable authority. Reimbursable orders with Non-DoD activities may be placed under the Economy Act or other applicable statutory authority. Record the obligation for reimbursable orders against the appropriation of the buying DoD entity as follows.

8.3.1. Project Order authority is available only for intra- or inter-DoD orders. Identify all project orders on the order document itself. Fund fixed price and reimbursable project orders similar to commercial procurement contracts. When a selling activity accepts the project order in writing, the buying activity records the obligation amount as stated in the order. See Volume 11A, Chapter 2.

8.3.2. Unless more specific statutory authority is applicable, the Economy Act provides authority for DoD Components to order goods and services from other federal agencies (including other DoD Components) and from major organizational units within the same DoD Component. Economy Act orders citing an annual or multi-year appropriation must serve a bona fide need arising or existing in the fiscal year (or years) for which the appropriation is available for obligation. The work to be performed must be expected to begin within a reasonable time after acceptance. Orders placed or agreements made obligates an appropriation of the buying agency or unit. MIPRs are Economy Act orders subject to downward adjustments when the selling component has not executed its agreed-upon contract or project order actions. Both the buying and selling agency must de-obligate funds to the extent that the selling agency or unit has not incurred obligations before the end of the appropriation period of availability; or made an authorized contract with another person to provide the requested goods or services. As specified in paragraph 16.2, all unliquidated obligations must be reviewed and any unsubstantiated obligations or excess funds de-obligated. Refer to Volume 11A, Chapter 3 for additional policy covering de-obligations related to Economy Act Orders.

8.3.3. DoD Component Non-Economy Act reimbursable orders placed with civilian agencies for supplies, material, services or equipment include obligational standards used for Economy Act reimbursable orders.

8.3.3.1. Non-Economy Act orders obligating annual or multi-year appropriation must satisfy a bona fide need of the appropriation's period of availability. The buying DoD activity must obligate funds when the selling activity accepts the order in writing.

8.3.3.2. The selling agency has a reasonable period of time to use transferred funds, depending on the nature of the order. Both the buying and selling agency must de-obligate funds to the extent that the selling agency has not provided the goods or services before the end of the DoD appropriation period of availability; or entered into a contract with another entity (contractor) to provide the requested goods or services in a manner consistent with the bona fide needs rule. See Volume 11A, Chapter 18.



8.3.3.3. DoD Components must establish and implement funds monitoring procedures. See paragraph 3.1.

#### 8.4 Modifying Reimbursable Orders

[Buying](#) activities must apply the following guidelines in modifying reimbursable orders.

8.4.1. If the appropriation used to fund the initial order remains available for the new requirement, it may be used to fund modifications and amendments to the order that are a bona fide need of that appropriation.

8.4.2. If the appropriation used to fund the initial order has expired, it may be used only to liquidate or adjust prior obligations [in accordance with paragraph 3.6](#).

8.4.3. Under no circumstances should an order result in a [selling](#) agency's issuance of a contract for severable services crossing fiscal years that extends beyond one year from the date of contract award, as addressed in 10 U.S.C. § 2410a. Any such contract performance period must begin during the period of availability of the [buying](#) activity's appropriation. For guidance on rental agreements with specified dollar payments, see paragraph 7.4.

### 9.0 ORDERS PLACED WITH (OR THROUGH) DEFENSE WORKING CAPITAL FUND ACTIVITIES

#### 9.1 General

The DoD has authority under [10 U.S.C. § 2208](#) and [2210](#), to establish [Defense Working Capital Fund \(DWCF\)](#) activities to finance inventories of its supply chain management business areas and provide working capital for industrial and commercial type activities. Activities funded through DWCFs perform work for others under several different authorities. These authorities include the Project Order Act for depots, the Economy Act for reimbursable and direct citation procurements, and supply management operations (stock fund operations) that use DWCF contract authority to acquire assigned items of supply for other DoD Components. [Direct citation orders placed with a DWCF must adhere to Volume 11B, Chapter 11 requirements](#). DWCF activities performing commercial type services charge stabilized rates rather than charges based on Economy Act actual cost methodologies. Activities performing DWCF operations can identify the transactional authority for work performed for others. Under 10 U.S.C. § 2208 and 2210, the DWCF is used for two different types of activities to include stock funds (supplies) plus goods and services. An order placed with a DWCF activity may only be for a bona fide need of the period for which the [buying](#) activity's appropriation is available.

#### 9.2 Recording DWCF Stock Funds

9.2.1. [Recording DWCF Capital Stock Fund Purchases](#). Unlike Economy Act orders and Non-Economy Act orders placed with civilian agencies pursuant to policies set forth in Volume 11A, Chapter 18, purchases made by DWCF stock fund activities using contract authority to fill [buyers](#) orders are not legally required to be obligated before expiration of the [buyer's](#) financing



appropriations. However, an order placed for an Integrated Material Management (IMM) item must be a bona fide need of the buyer activity's appropriation. Thus, consistent with bona fide need requirements, the DWCF activity using contract authority to acquire an IMM must be able to satisfy the requirement within a reasonable period of time. Unreasonable delay in DWCF execution (or delivery in a subsequent fiscal year not based on delivery, production or manufacturing lead-time exceptions) may reflect that the order placed with the DWCF was not a bona fide need of the requiring activity. There is no hard and fast rule in this regard, but a reasonableness standard does apply.

9.2.2. Recording Obligations for Stock Number and Nonstock-Number Items. Record an obligation for an item with a stock number assigned at the time of the order. Record an obligation for a Nonstock Numbered Item—number not assigned at the time of placement of the order—when the DWCF activity accepts the order for an IMM item that the activity will fill using its cost authority. Orders without stock numbers require order and acceptance because the seller may not be able to fulfill the order. DWCF activities that utilize contract authority are issued both contract authority and anticipated buyer order amounts that tie to one another, and the accepted buyer orders are recorded against the contract authority and not separately against reimbursable authority. DWCF accepted buyer orders for managed stock items procured with contract authority are recorded as an offset to contract authority and not against reimbursable authority levels.

9.2.3. IMM Items: For purposes of this chapter, stock funded items are IMM items for which supply management and acquisition responsibility has been assigned to a single DWCF funded activity, and that activity uses contract authority to acquire the item. See DFARS subpart 208.7 for definition of IMM.

### 9.3 Change Notices

The following policies apply to change notices.

9.3.1. Cancellation. Adjust an obligation for an undelivered order placed with the stock fund activity when a change notice affecting price, quantity, or receipt of an unacceptable substitution of a like item. Cancel an undelivered order placed with the stock fund when the buyer receives a notice of:

9.3.1.1. Substitution that is unacceptable,

9.3.1.2. Transfer of a stock funded item to funding by a centrally managed procurement appropriation within a DoD Component, or

9.3.1.3. Advice that the stock fund is unable to perform under the terms of the order.

9.3.2. Transfers from Centrally Managed Procurement to DWCF Stock Fund. Record an obligation for a DWCF stock fund order if a buying activity receives notice that an ordered item funded by a centrally managed procurement appropriation has been transferred to funding by the stock fund.

9.3.3. Funding Shortfall. If a change notice results in a shortfall of [buyer](#) funds, the [buyer](#) may cancel the order or reduce the quantity on order. If the [buyer](#) does not receive a change notice or does not receive it in time to cancel or modify the quantity on order, the material may be refused or returned to the stock fund. There is no violation of administrative control for [buyer](#) funds if an apparent funding deficiency that results from a change notice is resolved with the stock fund by means of:

9.3.3.1. Cancellation or modification of the quantity on order, or

9.3.3.2. Refusal or return to the stock fund of the material.

#### 9.4 Economy Act and Project Orders Placed with DWCF Activities

DoD organizations record obligations for reimbursable procurement orders, direct citation orders, and project orders placed with DWCF activities in accordance with section 8.0.

### 10.0 PERSONAL SERVICES AND BENEFITS OBLIGATIONS

#### 10.1 Obligations Recorded for Payments to Military and Civilian Employees

[Record](#) [obligations](#) for the amounts payable to military services members and civilian employees in the month in which earned. These obligations must be supported by written administrative determinations of the amounts of the liabilities incurred for personal services based on payroll or personnel records. Payroll charges based on salaries and wages, (such as civilian living and quarters allowances, equalization allowances under [5 U.S.C. § 3584](#), and the employer's share of contributions to the retirement fund, insurance premiums, and [Federal Insurance Contributions Act](#) taxes; are also obligations at the time that salaries and wages are earned. In the event a payroll period covers portions of two calendar months, the proportionate amount accruing within each month must be recorded as an obligation applicable to that month. Enlistment bonuses, and allowances to military members for subsistence, quarters and clothing, as well as civilian uniform allowances and incentive awards, are obligated in the month that they become payable to the member or employee.

#### 10.2 Obligations Recorded for Subsistence In Kind

[Record](#) [an](#) obligation for subsistence in kind based on requisitions and orders, or on a written administrative determination of the estimated cost of subsistence furnished by others.

#### 10.3 Obligations Recorded for Annual and Sick Leave of DoD Employees

Obligate annual leave for Department employees when it becomes due and payable as terminal leave or when otherwise specifically authorized by law, rather than at the time the leave is earned. Sick leave is obligated, costed, and paid when used.

#### 10.4 Obligations Recorded for Severance Pay to U.S. Government Civilians and Foreign National Employees

**Record** obligations for severance pay for U.S. Government civilian employees and foreign national employees (such as those German nationals covered by the German Tariff Agreement) on a pay period by pay period basis; that is, at the time the severance pay becomes payable, regardless of the time it is disbursed.

#### 10.5 Obligations Recorded for Severance Pay Under Specified Conditions

10.5.1. **Record** obligations for severance pay after an employee has been separated and specified conditions (such as those set forth in the German Tariff Agreement) have been met. The organization that terminates the employment of such individuals is responsible for recording and reporting the severance pay obligation. If the liability for any form of severance pay is significant, reasonable estimates must be made and an unfunded liability recorded and reported in accordance with the Governmentwide Treasury Account Symbol Adjusted Trial Balance System.

10.5.2. In accordance with other foreign country contracts and agreements, certain foreign national employees earn a separation allowance, also sometimes called “severance pay” in some contracts and agreements, from inception of or during their employment. In such cases, a liability accrues from such date and obligations must be recorded as follows:

10.5.2.1. In general, record obligations for separation allowances for foreign national employees against applicable current allotments in the full amount of the liability that accrues during the accounting period even though the amount may not currently be payable. However, when a foreign country is committed to fund part of the separation allowance for its nationals, obligate only for the Department’s portion of that cost. The amount chargeable to the applicable current allotment is the separation allowance liability incurred during the current accounting period and adjustments to outstanding liabilities for separation as a result of changes in pay. Adjustments for fluctuations in foreign currency exchange rates must be made at the time of the disbursement. See paragraph 13.11 for guidance on those currencies not covered by the foreign currency fluctuations appropriation.

10.5.2.2. Upon transfer of a foreign national employee from one DoD Component to another, the relinquishing DoD Component must give detailed records to the gaining DoD Component on the unpaid accrued separation allowance for that employee. The detailed records must include the name of the employee, beginning and ending dates of employment, grade or classification, or both, amounts of the accrued liability by fiscal year appropriations and accounting classifications to be charged at the time of separation, and the name (or designation) and address of the activity that will be responsible for retaining the appropriation records. The relinquishing DoD Component must retain its liability for the accrued separation allowance, including the adjustment for any final fluctuation in the rate of foreign currency exchange, until notified of the employee’s separation and payment of the allowance by the DoD Component effecting the separation. The gaining DoD Component is responsible for obligating separation allowances earned from the date of an employee’s accession. Accrued separation allowances must be paid when a foreign national employee is separated. The DoD Component effecting the separation

must coordinate its payment actions with the other DoD Components whose funds are to be charged. DoD Components should designate one of their activities to centrally maintain the detailed employee and appropriation records for all transferred employees to facilitate the closeout and liquidation of liabilities.

10.5.2.3. Appropriated funds may not be obligated for separation allowances earned by foreign national employees during any period of employment by DoD non-appropriated fund instrumentalities. The accrued separation allowance must be paid, if the employee is otherwise entitled to payment of such allowance upon such event pursuant to host nation law or agreement, when a foreign national employee transfers from an appropriated fund organization to a non-appropriated fund instrumentality.

## 11.0 PERMANENT CHANGE OF STATION OBLIGATIONS RECORDED

At the time [Permanent Change of Station \(PCS\)](#) orders are issued for civilian and military personnel, record obligations against current appropriations for all U.S. Government authorized reimbursable expenses incidental to relocation and for [estimated bookings of household goods movement and storage](#). The only exception is the obligation of costs for non-temporary contract commercial storage of household goods, which must be obligated either in the period in which the service is rendered or to the appropriation current at the contract award. Record an adjustment to the obligation based on the costs itemized on the traveler's settlement voucher.

## 12.0 TEMPORARY DUTY TRAVEL OBLIGATIONS RECORDED

Tentative obligations for temporary duty travel must be recorded from written administrative determinations, based on the travel authorizations issued, for the estimated transportation to be purchased and the estimated reimbursement to be earned by the traveler for per diem allowances, use of privately owned vehicles, and incidental travel expenses. When travel is performed under a blanket authorization (with the itinerary not definite), the amount of the tentative obligation recorded in the current month must not exceed the estimate of the travel expenses to be incurred to the end of the current month. When the period covered by the travel authorization extends beyond the end of the fiscal year, and the travel costs are being paid by means of an annual appropriation or the final year of availability of a multiple year appropriation, the amount of the recorded obligation must be the cost of transportation purchased and reimbursements earned to the end of the fiscal year.

## 13.0 OTHER OBLIGATIONS

### 13.1 Loan Agreements

As required by [2 U.S.C. § 661](#), new direct loan obligations may be incurred only to the extent that budget authority to cover costs is provided in advance. When a direct loan obligation is incurred, its cost (i.e., the estimated long-term cost of the loan to the government) is obligated against the "program account" established for the loan program. Actual funding of the direct loan

is made through a revolving, non-budget “financing account.” Refer to Treasury’s BFS, USSGL [Credit Reform Accounting](#) guidance for detailed guidance covering obligation and disbursement of funds for direct and guaranteed loans.

## 13.2 Grants and Subsidies Obligations Recorded

Record the obligation amount of a grant or subsidy when supported by documentary evidence as follows:

13.2.1. A grant requiring the grantee to undertake prescribed activities based on formation of a binding agreement. Usually, a grants officer signs a grant offer and provides to the grantee for acceptance. The obligation is incurred when the grantee accepts or approves the Component’s offer by signing the grant document and providing the acceptance to the Component.

13.2.2. A grant or subsidy not proceeded by a binding agreement at the time payable.

13.2.3. Annually, DoD Components must:

13.2.3.1. Track the amount of undisbursed grant funding remaining in expired grant or subsidy accounts,

13.2.3.2. Determine why these funds were undisbursed, and

13.2.3.3. Take action to resolve the undisbursed funding and close the expired grants and related accounts.

## 13.3 Bid Protests or Other Challenges

13.3.1. Pursuant to the provisions of [31 U.S.C. 1558](#), funds available at the time of protest or other action filed in connection with a solicitation for, proposed award of, or award of such contract, remain available for obligation for 100 calendar days after the date on which the final ruling is made on the protest or other action.

13.3.2. A protest or other action consists of a protest filed with the Government Accountability Office (GAO), or an action commenced under administrative procedures or for a judicial remedy if:

13.3.2.1. The action involves a challenge to a solicitation for a contract; a proposed award for a contract; an award of a contract; or the eligibility of an offeror or potential offeror for a contract or of the contractor awarded the contract; and

13.3.2.2. Commencement of the action delays or prevents an executive agency from making an award of a contract or proceeding with procurement.

13.3.3. A ruling is considered final on the date on which the time allowed for filing an appeal or request for reconsideration has expired, or the date which a decision is rendered on such an appeal or request, whichever is later.

13.3.3.1. A request for reconsideration of a GAO protest must be made within 10 days after the basis for reconsideration is known or should have been known, whichever is earlier.

13.3.3.2. The appeal of a protest decision of a district court or the Court of Federal Claims must be filed with the Court of Appeals for the Federal Circuit within 60 days after the judgment or order appealed from is entered.

13.3.4. Where contract award is determined to be invalid as a result of a bid protest and the contract is terminated for convenience, appropriations charged for the original contract may be obligated for a replacement contract if it is awarded without undue delay after termination of the original contract. Any award within 100 days of termination necessarily is [an](#) award without undue delay because 31 U.S.C. 1558 statutorily extends the availability of appropriations for such period following the final ruling on a bid protest.

#### 13.4 Liquidated Damages Recorded

Recover the amount of liquidated damages deducted and withheld from the contractor. If the contractor objects to the assessment of liquidated damages, treat the amount as a contingent liability. Reestablish an obligation only when a formal contractor claim is “approved,” i.e., sustained by government admission or by a judgment.

#### 13.5 Litigation Obligations Recorded

As a general rule, record an obligation amount [for](#) the liability expected to result from pending litigation in cases where the government definitely is liable for the payment of money from available appropriations, and the pending litigation is for the purpose of determining the amount of the government’s liability. In other cases, [do](#) not record an obligation until the litigation has been concluded or the government’s liability is finally determined. A written administrative determination of the amount of the liability will serve as documentary evidence of the obligation.

#### 13.6 Bills of Lading

[Record](#) an obligation amount [for](#) a bill of lading when issued to a [Transportation Service Provider that is](#) based on established rates and the estimated value of the transportation to be furnished and adjust on receipt of evidence of payment of the final bill.

### 13.7 Public Utility Services Obligations Recorded

Record an obligation for recurring utility services (such as gas, electricity, water, and steam) and communications each month or as required based on a written administrative determination of the estimated monthly cost of the service to be furnished. Charges for utility services and communications for a time period beginning in one fiscal year and ending in another fiscal year must be charged against the appropriation current at the end of the time period covered by the service.

### 13.8 Claims

Record an obligation for a claim payable under law when finally approved and in the amount certified for such payment.

### 13.9 Legal Determinations

Record an obligation amount for a document evidencing a present legal liability of the U.S. Government, when the liability has been determined to exist by competent legal authority.

### 13.10 Simultaneous Disbursement and Obligation

Record an obligation amount for a disbursement that has been made (or is about to be made) when the related obligation was not previously recorded. See Chapter 11.

### 13.11 Foreign Currency Fluctuations

13.11.1. The Foreign Currency Fluctuations Appropriation was established to eliminate losses or gains to programs caused by fluctuation of specified foreign currency exchange rates from rates used in budget formulation. DWCF foreign currency fluctuations are absorbed by the incurring DWCF business area, not the foreign currency account. Contractual obligations or other obligations payable in the specified foreign currencies may not be adjusted until disbursements are made from the appropriation account involved. See Volume 6A, Chapter 7.

13.11.2. When foreign currencies not specified in the Foreign Currency Fluctuations Appropriation account are involved, any adjustments to cost at the time of payment must be supplemented with adjustments made at year-end and may be made at any other time a significant change occurs in order to avoid over or under obligation of an allotment.

### 13.12 Security Guard and Firefighting Services

13.12.1. [10 U.S.C. § 2465](#) prohibits the obligation or expenditure of appropriated funds for the purpose of entering into a contract for the performance of firefighting or security guard functions at any military installation or facility in the U.S., including Alaska and Hawaii. This prohibition does not apply to:



13.12.1.1. A contract that is to be performed in the commonwealths, territories, or possessions of the U.S., or other locations outside the U.S., when members of the Armed Forces otherwise would have to be used for the performance of firefighting or security guard services at the expense of unit readiness;

13.12.1.2. A contract to be carried out on a government owned, contractor operated installation;

13.12.1.3. A contract (or renewal of a contract) for the performance of a function that was under contract on September 24, 1983; or

13.12.1.4. A contract for the performance of firefighting functions if the contract is for a period of one year or less and covers only the performance of firefighting functions that, in the absence of a contract, would have to be performed by members of the Armed Forces who are not readily available to perform such functions by reason of deployment.

13.12.2. [10 U.S.C. § 2687](#), the Defense Base Closure and Realignment Act of 1990, as amended, authorizes special procedures for providing security guard (or firefighting) services 180 days before an installation closes under the Base Realignment and Closure initiative.

### 13.13 Postage Obligations Recorded

Record an obligation for postage each month based on an estimate of the billing to be received and adjusted based on the actual billing received. If advance payment for post office box is required, the obligation must be based on the advance billing. Obligate stamps purchased at the time payment is made.

## 14.0 UNRECORDED OBLIGATIONS

### 14.1 Dollar Threshold for Obligations Identified as Not Recorded

Apply the following guidance when the accounting office identifies an obligation incurred but not recorded in the official accounting records, and the accounting office is in possession of a valid obligating document (as specified in paragraph 14.2).

### 14.2 Document Verification

14.2.1. The accounting office must verify the document was not previously recorded under the applicable obligation reference number indicated. Validate documents exchanged between electronic systems, such as entitlement systems, to ensure the transaction was properly transmitted or recorded under the applicable obligation reference number, and no errors resulted during the transmission. Additionally, verify the amount, appropriation, project-level accounting data, and vendor name to determine if the obligation is recorded under another reference number, to include unrecorded modifications that are controlled in other obligating documents. Look for related commitments in accounting systems that contain commitments.

14.2.2. The accounting office must verify **if** the obligation was recorded at an amount less than the face value of the obligating document or Electronic Data Interchange (EDI) representation. If so, limit the amount of the recorded obligation **increase** to differences between the amounts on the obligating document or EDI representation and the amount previously recorded in the official accounting records. If one of conditions described in subparagraphs 14.2.1 or 14.2.2 is met, the accounting office must immediately **adjust** the obligation if the dollar amount is \$2,500 or less. If the obligation amount is over \$2,500, follow the procedures in subparagraph 14.3.2.

### 14.3 Recording

14.3.1. DFAS must immediately record an obligation if the dollar amount is \$2,500 or less.

14.3.2. If the dollar amount is greater than \$2,500, the accounting office must provide the appropriate DoD Component **financial manager** with a copy of the obligating document(s) via e-mail, fax, upload, or **use** other means (retaining proof of transmission and receipt of the notification), to document the official document repository. **Allow** 10 calendar days for the **financial manager** to record the obligation or demonstrate the obligation was previously recorded. The accounting office must record the obligation on behalf of the **financial manager** if, within 10 calendar days, the **financial manager**:

14.3.2.1. **Has** **accounted** for the obligation,

14.3.2.2. The obligation is accurate,

14.3.2.3. The applicable obligation was **not** previously recorded, or

14.3.2.4. **Has** **not** recorded the obligation in the accounting records.

14.3.3. Whenever the accounting office records an obligation for any amount, the appropriate **funds holder** must be notified immediately but not later than 10 calendar days of the obligation being recorded. This notification must be via e-mail, fax, electronic upload, or other documented means used for **the** document repository. Additionally, whenever the accounting office records an obligation, the recording must be uniquely identified, formally approved by the individual designated to provide approval authority, and cross-referenced to the obligating document. The processed obligating document must be similarly annotated. It is acceptable for an automated system to identify the source of a DFAS recorded obligation.

14.3.4. DoD Components must promptly record all obligations consistent with standards set forth in section 3.0. The over-recording and under-recording of obligated amounts is equally improper, as either makes it impossible to determine the actual status of an appropriation and may lead to violations of the Antideficiency Act. Over-recording and under-recording will also call into question the accuracy of agency financial statements and the propriety certifications on reports of obligations provided to Congress pursuant to [31 U.S.C. §§ 1108\(c\) and 1501\(b\)](#).

#### 14.4 Expired Funds

If the agency has incurred a valid, unrecorded obligation in the prior year, prior year funds must be used. Current appropriations are not available to fund this obligation. If insufficient funds remain in the prior years' appropriation, the agency must seek a supplemental or deficiency appropriation and must further consider the possibility the Antideficiency Act (31 U.S.C. § 1341) has been violated. Agencies should incorporate the due diligence guidance outlined in paragraph 3.7 to mitigate circumstances requiring use of current appropriations to cover previous year requirements.

### 15.0 INTERNAL CONTROLS

#### 15.1 Departmental Responsibilities

In accordance with its responsibility for implementing effective internal controls, the Assistant Secretaries and Comptrollers [must](#) establish standard procedures for Departmental/Agency level monitoring and review of all obligations and commitments. These reviews [must](#) be formally documented in Standard Operating Procedures ([SOP](#)).

#### 15.2 Funds Holder Responsibilities

[\\*15.2.1. For the buyer/receiving component](#), the funds holder must review and validate commitments and obligations as financial transactions occur. [The](#) review applies to all DoD Components, appropriations, reimbursable transactions, and funds including [revolving funds](#) and [trust funds](#). Fund holders sign and approve [the](#) DD Form 448 and FS Form 7600B. [Fund holders](#) have certification responsibility and initiate actions that result in obligations. See paragraph 3.1 for required documentation to perform the fund holders' responsibilities. [For seller/servicing components](#), the funding official that confirms orders received are aligned with the seller's mission (see [Volume 5, Chapter 5](#)), [accepts/signs the 488-2 and 7600B](#), and manages buyer orders to include execution (see [Volumes 11A and 11B](#)).

15.2.2. Quarterly, the fund holder must reconcile all obligations incurred during the period [to include](#) amounts recorded in the general ledger to contracting system records and/or obligating documents such as contracts and modifications.

15.2.2.1. The fund holder must document and investigate all differences.

15.2.2.2. The fund holder must alert the financial managers of any variances. The financial manager must review the funds holder's documentation and assess whether an adjustment to the general ledger is required.

15.2.3. The use of "bulk" (estimated) obligations requires periodic monitoring and reconciliation of estimated obligations to the related disbursement transactions and the recording of appropriate adjustments to the estimated obligations based on the disbursement amounts. Limit the use of bulk obligations as Antideficiency Act violations may occur in the absence of adequate procedures for monitoring and reconciling disbursements.

15.2.3.1. Bulk obligations must not be used for materiel requisitioned by Defense Logistics Management Standards or Military Standard Logistics Systems transaction processing. Establishing an obligation for the proper amount for each line item under a unique requisition document number is essential for the timely and automated processing of interfund and non-interfund bills at the detail, line item level. Failure to do so may delay processing and increase workload for both DFAS and Component personnel.

15.2.3.2. DoD Components that establish business processes for requisitioning outside their customer's Component sponsored supply system, via internet ordering applications, must provide automated processes for their customers to record line item obligations for each requisition. DoD Components that authorize personnel to initiate orders outside of the Component sponsored supply system must incorporate source of supply automated processes for establishing line item obligations for each requisition.

### 15.3 Supporting Documentation

Prior to recording an obligation, the [financial manager](#) responsible for the official accounting records of the [funds holder](#) must have one of the following:

15.3.1. A copy of the obligating document(s) ([i.e.](#), contract, contract modification, letter contract, purchase order, reimbursable order, lease agreement, travel order) via e-mail, fax, electronic upload to the official document repository, or other documented means, or

15.3.2. An EDI 850 transaction set representing a contract or an EDI 860 transaction set representing a contract modification or equivalent electronic data that represents an obligating document or supports an obligation.

### [\\*15.4 Segregation of Duties](#)

To ensure proper internal controls within the responsible financial management office, the duty of [approving, certifying, and recording an obligation or order acceptance](#) must be separate from [posting a receiving report\(s\) and certifying acceptance and payment\(s\) for that obligation](#). [In instances where Management determines that segregation of duties is not practical, additional mitigating controls must be identified and implemented in accordance with Volume 5, Chapter 1.](#)

### 15.5 Antideficiency Act Violations

When the financial manager records an obligation in accordance with this policy and it results in an apparent Antideficiency Act violation, that office immediately must initiate research to include consulting with the [funds holder](#). The following additional assessments apply:

15.5.1. If it is determined that the [financial manager](#) action resulted in a duplicate obligation that was previously recorded in the official accounting records, the [financial manager](#) action must be reversed immediately after the error is identified and no Antideficiency Act violation will be considered to have occurred.

15.5.2. If the financial manager determines that:

15.5.2.1. The financial manager action has not resulted in a duplicate obligation  
and

15.5.2.2. The obligation exceeded the funds holder's authorized budget authority,  
then

15.5.2.3. A preliminary review of the potential violation must be initiated in  
accordance with Volume 14, Chapter 3.

15.5.3. If a valid obligation was incurred in excess of available funds, the actual incurrence  
of the obligation, rather than the recording of the obligation, would be considered to have caused  
the apparent violation. In such cases, see Volume 14.

## 16.0 QUARTERLY REVIEW OF DORMANT ACCOUNTS

### 16.1 DAR-Q Justification

The DAR-Q serves as a quality control mechanism of entity-level internal control activities. The DAR-Q improves the Department's ability to execute all available appropriations before expiration and cancellation. The quarterly review is the inherent ability to track the dormancy and or validity of the DoD Components obligations and UFCO ensuring proper actions are taken to correct and or expedite the timely execution and full utilization of appropriated funds. The fund holder, financial manager, accountant, seller funding official, Budget Submitting Officer (BSO), contracting officer, and logistics representative efforts must be rigorous and synchronized. The integration of stakeholders' information enables effective outcomes to include evidence of the reasonableness of open balances in support of auditable financial statements.

### 16.2 Dormant Balances

16.2.1. DAR-Q requires review of sampled dormant balances. For purposes of the DAR-Q, balances are defined as dormant if they have not been liquidated and no obligations, adjustments, disbursements, withdrawals, or contract modifications with general ledger impact have occurred within the last 90-days. PCS orders, where Components have documented personnel readiness requirements to issue orders at least 90 days in advance of the move, will be considered dormant at 180 days. Current balances are defined as having a change in the status for obligations or UFCOs during the last 90-day period which generated general ledger activity.

16.2.2. Contracts are justifiably dormant while undergoing confirmed Defense Contract Management Agency (DCMA) contract closeout review or Defense Contract Audit Agency (DCAA) audit. Fund holders must retain evidence the open balance is currently under DCMA closeout review or DCAA audit.

16.2.3. Sampled dormant balances also include reimbursable balances, i.e., from a buying to selling organization. Both buying and selling organizations are responsible for reviewing their respective side of the transaction. DoD Components should also review reimbursable orders for compliance with the Economy Act or other applicable statutory authority for the reimbursable order. Non-Economy Act orders should be reviewed to ensure that the interagency agreements (Memorandums of Agreement (MOA)/Service Level Agreements) are consistent with DoD policy.

\*16.2.4. Sampled dormant balances include sub-allotted funds. The fund holder (sub-allotter) must assign dormant sub-allotment samples to the selling organization (sub-allottee) for review within seven calendar days of the review period kickoff. Because sub-allotters may not have visibility into execution data, sub-allottees support completion of the review by providing source documents, contract or payable status, and financial analysis to the sub-allotter within 50 calendar days of sub-allotter's request. Sub-allotters and sub-allottees should develop formal memorandums of understanding to document the specific support requirements for sub-allotted funding.

### 16.3 DAR-Q Major Roles and Responsibilities

#### 16.3.1. OUSD(C) Financial Improvement and Audit Remediation (FIAR) Directorate:

16.3.1.1. Issue DAR-Q sampling logic to Components completing DAR-Q manually.

16.3.1.2. Within 30 calendar days of receiving the Component level packages, perform the following:

16.3.1.2.1. Select a sample of DAR-Q records for review each quarter for assigned DoD Components.

16.3.1.2.2. For each sampled package, review evidence that all required DAR-Q requirements have been conducted.

16.3.1.2.3. Perform data analytics to evaluate validation criteria trends of dormant balances.

16.3.1.2.4. Review documentation of any funds holder and BSO that was unable to complete the required review or confirm the accuracy and validity of dormant balances, including a full explanation of, and any corrective action taken. Assess whether corrective action was taken.

16.3.1.2.5. Provide Components feedback on the results of the review.

16.3.2. OUSD(C) Enterprise Financial Transformation Directorate

16.3.2.1. Maintain the Advana DAR-Q Tool to facilitate enterprise-wide usage.

16.3.2.2. Update the Tool to align functionality with policy changes as necessary.

16.3.3. The Assistant Secretaries of the Military Departments Financial Management and Comptroller (FM&C) and Defense Agency Comptrollers:

16.3.3.1. Establish and/or update a SOP/desk guide to document entity-level DAR-Q procedures for implementation of the DAR-Q framework. For DoD Components executing within the automated Advana DAR-Q Tool, SOPs must include internal timeframes to meet submission due dates and workflow descriptions that utilize the expanded process flow functionality.

16.3.3.2. Create the standard queries and/or standard reports to ensure the completeness of the data extracted based on OUSD(C) FIAR sub-population sampling logic and requirements.

16.3.3.3. Establish entity-level implementation of the DAR-Q, through utilization of the automated Advana DAR-Q Tool to ensure accuracy and completeness.

16.3.3.4. Appoint at least one coordinator and BSO.

16.3.3.5. Review the BSO and funds holder submissions, complete the OUSD(C) FIAR DAR-Q submission and provide evidence of the review, along with supporting documentation, to the OUSD(C), FIAR Directorate by the FIAR quarterly completion dates.

16.3.3.6. Review of documentation of any funds holder that was unable to complete the required review or confirm the accuracy and validity of dormant balances, including an accurate explanation of any corrective action taken. Assess whether corrective action taken was appropriate.

16.3.3.7. Document these reviews using the BSO results to highlight both compliance and non-compliance of the BSO within a Component Level package and submit to OUSD(C) FIAR.

16.3.3.8. Identify problems noted as a result of the BSO review.



16.3.3.9. Initiate adjustments or corrections to remedy noted problems within 10 calendar days of identification and continue to track until completion.

16.3.3.10. Summarize by type actions or corrections remaining to be taken, and when such actions/corrections are expected to be completed.

16.3.3.11. Identify actions taken to preclude identified problems from recurring in the future.

16.3.3.12. Review BSO and fund holders' documentation, and prepare and submit quarterly a certification statement to the OUSD(C) FIAR attesting to the following:

16.3.3.12.1. Validation criteria was performed on the Agency's DAR-Q sample records of open Undelivered Orders Unpaid (UDOU), DOU, UDOP and UFCO balances within those populations. DAR-Q record validations are accurate based on research completed and information known at the time of completion, and can be reconciled to readily available source documents.

16.3.3.12.2. Effective internal controls are in place to ensure accounting adjustments and corrective actions identified as a result of the DAR-Q were initiated in the appropriate accounting system. The dormant balance and reason for dormancy was verified for each record. Corrective actions were taken to initiate the adjustment of balances within the appropriate systems as necessary. Corrective actions and monthly follow-ups are documented until complete.

16.3.3.12.3. Key Supporting Documentation (KSD) for all validated UDOU, DOU, UDOP, and UFCO records are readily available and will be provided within 10 calendar days upon request by the OUSD(C) FIAR for reasonable quality control review.

16.3.3.12.4. DAR-Q sample records are selected for validation as an OUSD(C) FIAR quality control activity to improve funding execution. DAR-Q is not intended to replace component internal control activities for open balance review, validation, or adjustment. The signee acknowledges it remains the responsibility of the DoD Component to perform continuous control activities on all open balances.

16.3.3.12.5. DAR-Q submission was performed in compliance with this chapter and internal SOP implementation guidance.

16.3.4. Coordinator. Coordinator disseminates records to appropriate personnel for review, facilitates the DAR-Q process, and serves as the OUSD(C) point of contact. Coordinators are not required to be financial managers, as their role is to facilitate the DAR-Q process by providing logistics, routing, and administrative support. Consolidated all quarterly records.

**16.3.5. BSO.** The BSO conducts reviews of the work performed and funds holder and financial manager documentation. The BSO ensures the DAR-Q was performed over a complete population and that the funds holder performed required procedures accurately and retained supporting documentation. The BSO must complete the DAR-Q within specified time frames for all funds.

**16.3.5.1. Exercise** reasonable assurance the funds holder completed their review in compliance with this Regulation and the Component's SOP requirements. BSOs must ensure fund holders have the capabilities and resources.

**16.3.5.2. Prepare and** submit a certification statement quarterly to the respective Assistant Secretary of the Military Department FM&C and/or Defense Agency Comptroller. The statement must attest to the requirements in subparagraph 16.3.3.12. Signee must also acknowledge it remains the responsibility of the BSO to perform continuous control activities on all open balances.

**16.3.5.3. Provide** respective Assistant Secretary of the Military Department FM&C and/or Defense Agency Comptroller supporting documentation within 10 calendar days upon request.

**16.3.5.4. Review** documentation of any funds holder that was unable to complete the required review or confirm the accuracy and validity of dormant balances, including a full explanation of, and any corrective action taken.

**16.3.5.5. If** the funds holder is not utilizing the Advana DAR-Q Advana Tool, confirm the funds holder used the DAR-Q OUSD(C) FIAR queries to ensure the completeness of data extracted.

**16.3.6. Fund holder.** Fund holders are DoD officials that receive a documented administrative subdivision of funds including apportionments, allotments, sub-allotment, allocations, and sub-allocations through their funding chain of command or from other government departments, agencies, and activities holding an administrative subdivision of funds. Fund holders review dormant records to evaluate the status and commence documented corrective action as necessary within 10 calendar days, following up monthly until corrective action and general ledger posting has occurred. Once the review is complete, route records to the BSO for review. The fund holder is responsible for conducting reviews of obligations and UFCOs, regardless of whether the fund holder or the financial manager actually records the obligations in the official accounting records. Document and maintain the results of these reviews.

16.3.6.1. Supporting documentation may include correspondence from the vendor, budget office, contracting officer, Contracting Officer's Representative (COR), seller funding official, or DFAS representatives. Additional documentation may include progress reports, contract modifications, invoices, IPAC system screen prints, or general ledger system/transactional reports that support the validity of the open balance or indicates it is no longer valid. The funds holder works through the contracting officer to obtain vendor documentation. Provide respective supporting documentation within 10 calendar days of BSO request. See Table 8-3 "Required DAR-Q Documentation" for a list of examples of supporting documentation by assessable unit. Print documentation or maintain screen prints electronically, unless the source system has reliable IT controls and data will be maintained in an archive.

16.3.6.2. Prepare and submit a quarterly certification statement to the BSO. The statement must attest to the requirements in subparagraph 16.3.3.12 as well as acknowledge it remains the responsibility of the funds holder to perform continuous control activities on all open balances.

16.3.6.3. See paragraph 16.5.4 if not utilizing the DAR-Q Advana Tool.

## 16.4 DAR-Q Populations

DAR-Q populations reflect the budgetary general ledgers impacting budget execution included in Table 8-1.

Table 8-1: DAR-Q Population and Associated USSGL Account Code

DAR-Q Population	USSGL Account
Undelivered Orders Unpaid (UDOU)	480100, 488100, 487100, 483100
Delivered Orders Unpaid (DOU)	490100, 498100, 497100, 493100
Undelivered Orders Paid (UDOP)	480200, 488200, 487200
Unfilled Customer Orders (UFCO)	422100, 422200, 423000, 425300

Table 8-2: DAR-Q Review Period

Quarter	Dormancy Period	DAR-Q Review Period
1	October 1 through December 31	Mid-January through Mid-March
2	January 1 through March 31	Mid-April through Mid-June
3	April 1 through June 30	Mid-July through Mid-September
4	July 1 through September 30	Mid-October through Mid-December

## 16.5 Advana DAR-Q Tool

16.5.1. The Advana DAR-Q Tool provides automation for effective and efficient reporting. The Tool leverages the Departments' universe of transactions to provide automated populations, reconciliations, record sampling, and a standard reporting platform.

16.5.2. DAR-Q sampling methodology focuses on high-risk, high-value balances. High-risk comprises dormant balances in General Fund expiring and canceling appropriations and Working Capital Fund and Foreign Military Sale balances remaining after the period of performance has ended. Populations are grouped by dollar value with higher sampling applied to high-value balances.

16.5.3. Components must perform DAR-Q on all balances regardless of the system in which they are executed. When the Tool does not incorporate transactions from legacy general ledger systems, Components must request population, sampling, and submission requirements from OUSD(C) FIAR Directorate to perform DAR-Q manually.

16.5.4. Fund holders not utilizing the Tool must adhere to the OUSD(C) FIAR annual guidance to obtain a population for sampled obligations and UFCOs. For all dormant balances, determine the validity and accuracy, and if future work will be conducted, future disbursements will be required, and if there is sufficient and readily available KSD to justify the remaining balance.

16.5.5. The Tool provides standard Validation Codes for users to select based on review of open balances.

16.5.5.1. Valid. An obligation where there is a bona fide need and a reasonable likelihood that future activity will occur. Examples of activity include, but are not limited to, receipt of goods and services, payment of invoices, collecting payment for goods delivered or services rendered, or performing work on a reimbursable basis.

16.5.5.2. DAR-Q Adjustment. A valid obligation that requires all or a portion of the balance to be adjusted in either the source general ledger system or initiated with the responsible party (i.e., DFAS, contracting office, performer, source of supply). An adjustment is an action required to accurately reflect business events.

16.5.5.3. The Tool provides standard Reason Codes aligned with each Validation Code, and capability to add granular data through explanation and comment fields.

## 16.6 Key Supporting Documentation.

Components provide KSD for a sub-sample of DAR-Q records to support the balance, validation code, and any corrective actions initiated. For valid dormant balances, documentation must support the balance, while balances that require adjustment include documentation to support the adjustment amount. OUSD(C) FIAR Directorate may review KSD for quality control and provide feedback as necessary. KSD must be provided within 10 calendar days of the request. To be considered valid and provide the correct line item support, the KSD is required to be signed by an authorized individual responsible for that transaction. See Table 8-3, “DAR-Q Documentation Examples” and the Advana DAR-Q User Guide for KSD examples. Components may have unique KSD.

Table 8-3: DAR-Q Documentation Examples

Assessable Unit	Supporting Documentation	Correspondence From
Contract Pay	<u>Originating Documents</u> Contracts, contract modifications <u>Liquidating Documents</u> Contract modifications, payment vouchers (including invoices and receiving reports)	- Contractor - Contracting Officer - COR - Financial Manager
Vendor Pay	<u>Originating Documents</u> Contracts, contract modifications <u>Liquidating Documents</u> Contract modifications, payment vouchers (including invoices and receiving reports)	- Vendor - Contracting Officer - COR - Financial Manager
Civilian Pay	<u>Originating Documents</u> Written administrative determinations of the liability amounts incurred for personal services based on payroll or personnel records <u>Liquidating Documents</u> Payroll file summaries	- Program office - Resource Manager - Financial Manager
Military Pay	<u>Originating Documents</u> Written administrative determinations of the liability amounts incurred for personal services based on payroll or personnel records <u>Liquidating Documents</u> Payroll file summaries	- Program office - Resource Manager - Financial Manager
Intragovernmental or Interdepartmental	<u>Originating Documents</u> MIPR, MIPR Acceptance, intra- or inter-agreement, MOA, other reimbursable work order GT&C FS Form's 7600 A/B <u>Liquidating Documents</u> IPACs Standard Form 1080 – Voucher Transfer Between Appropriations or Funds	- Program Manager - Fund Holder - Financial Manager - Funding Official

## 16.7 Documentation

Components maintain documentation that is sufficient to permit independent organizations such as the DoD Office of the Inspector General, or the DoD Component Audit Agency/Service, to verify reviews were accomplished in accordance with Volume 1, Chapter 9 retention standards.

## 16.8 De-obligation of Dormant Obligations

**16.8.1.** Within 10 calendar days of fund holders' identification, initiate and substantiate all required de-commitments, de-obligations, adjustments, or corrections by evidence of ongoing corrective actions. Accurately post recorded payments with clearing document numbers. After a thorough review by the funds holder (and/or the financial manager), all un-substantiated obligations must be de-obligated. Within 10 calendar days of receipt of funds holder's documentation, the financial manager must record the de-obligation, de-commitment, or adjustment(s) in the general ledger. Take no action to modify, cancel, or amend a contract or travel order below an amount identified as due and owing a contractor, vendor, or traveler.

**16.8.2.** Periodic reviews result in de-obligations such as for documented contract adjustments or corrections, cancellation of an order, when determined obligated funds are in excess of contract requirements, or determination of final contract closure.

**\*16.8.2.1.** The contracting officer, to include Administrative Contracting Officers as appropriate, and other stakeholders, i.e., DCMA and DCAA; must apply due diligence to procedures such as reviewing contract funds status, establishing final indirect cost rates, and determining billing rates (see FAR 42.704 and 42.705). The contracting officer, stakeholders, and financial manager must collaborate regularly to manage potential excess funds, and generate documents, to include unilateral contract modifications to de-obligate funds.

**16.8.2.2.** For contracts canceled in full or in part, such as unilateral orders where the contractor does not accept the order or through agreement of the parties, the contracting officer should issue a unilateral contract modification identifying the amount to de-obligate.

**16.8.2.3.** When terminating a contract or agreement in whole or in part for government convenience by "Notice of Termination", the contracting officer should issue a unilateral contract modification to maintain sufficient funds to meet termination settlement costs and de-obligate excess funds.

**16.8.2.4.** In some instances such as Firm Fixed Price contracts with escalation, price redetermination, or incentive provisions; the contracting officer may determine—after consideration of best available evidence, including available costs and production data or tentative offers from contractors—the anticipated reduction of contract liability and should issue a unilateral contract modification specifically to de-obligate funds.

16.8.2.5. The financial manager may, prior to a contract completion statement and upon notice of final payment, identify dormant funds through attained reasonable assurance of future commitments, obligations, expenses, and disbursements; and provide the contracting officer a document with the contract number, notice of final payment, remaining dormant balance, and request for the contracting officer's written consent or issuance of a unilateral contract modification to de-obligate funds. The financial manager must maintain a copy of the consent for audit and records management purposes.

16.8.2.6. For contract closeout, the contracting officer distributes a DD Form 1594, Contract Completion Statement or electronic equivalent as described in DFARS, PGI 204.804. See Volume 10, Chapter 20 for contract reconciliation and closeout.

16.8.3. For dormant travel obligations for which travel did not occur, or the full obligated amount was not expended, the financial manager will de-obligate funds after documented efforts to contact the traveler is retained prior to the Authorizing Official (AO) or funds holder provides a written consent to de-obligate the remaining obligated balance. It is the responsibility of the AO to send notification to the financial manager, program office, and funds holder denoting no further valid transactions will be forthcoming. The AO should obtain and review the applicable travel vouchers, receipts, and correspondence between the traveler and the AO.

16.8.4. For dormant payroll obligations (i.e., salaries, wages, and benefits) for which funds were not expended, or the total obligated amount was not expended, the financial manager will de-obligate funds based on a written consent from the funds holder. It is the responsibility of the funds holder to send notification to the financial manager and program office denoting no further valid transactions will be forthcoming. The funds holder should obtain and review the applicable pay period calendar, Leave and Earnings Statements, payroll disbursements, support for journal vouchers, and correspondence between the program office, employees, and the financial manager.

16.8.5. For intragovernmental or interdepartmental obligations, including Military Standard Requisitioning and Issue Procedures requisitions through mandatory sources for which funds were not expended or the total obligated amount was not expended, the financial manager will de-obligate funds once a new FS 7600B, DD 448-2, or a key source document is obtained. Source documents must align to the business process, account for adjustments made and, in cases of an intragovernmental/intergovernmental documents, must be signed by an authorized individual.





**DEPARTMENT OF DEFENSE**

**FINANCIAL MANAGEMENT REGULATION**

**CHAPTER 9: "ARCHIVED"**

**UNDER SECRETARY OF DEFENSE  
(COMPTROLLER)**

**VOLUME 3, CHAPTER 10: “ACCOUNTING REQUIREMENTS FOR EXPIRED AND CLOSED ACCOUNTS”****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 [July 2022](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative updates to include clarifying language in accordance with Department of Defense Financial Management Regulation (FMR) Revision Standard Operating Procedures.	Revision
Policy Memo	Relevant portions of the Deputy Chief Financial Officer’s policy memorandum, “Yearend Cutoff for Cancelling Year Appropriations (FPM23-04),” dated August 16, 2023 was incorporated into the chapter.	Revision

## Table of Contents

VOLUME 3, CHAPTER 10: “ACCOUNTING REQUIREMENTS FOR EXPIRED AND CLOSED ACCOUNTS” .....	1
1.0 GENERAL .....	3
1.1 Purpose .....	3
1.2 Authoritative Guidance .....	3
2.0 DEFINITION .....	4
3.0 STANDARDS.....	4
3.1 Accounts.....	4
3.2 Expired Accounts .....	4
3.3 Closed/Cancelled Accounts.....	5
3.4 Contract Change Provisions .....	7
3.5 Shipbuilding and Conversion, Navy .....	8
3.6 Obligation Adjustment for a Contract Change Greater Than \$4 Million .....	8
3.7 Obligation Adjustment for a Contract Change Equal to or Greater than \$25 Million.....	9
3.8 Replacement Contracts.....	9
3.9 Obligation Adjustments or Payments from Current Appropriations for Closed/Cancelled Accounts .....	10
3.10 Current Appropriations Used for Expired Appropriations with Insufficient Obligation Authority .....	11
3.11 Collection Credits After an Account is Closed/Cancelled .....	12
3.12 Exceptions to an Account’s Period of Availability for Adjusting and Liquidating Obligations .....	12
3.13 Antideficiency Act Violations.....	13
3.14 Control, Reporting, and Certification Requirements .....	13
3.15 Other Requirements.....	15

## CHAPTER 10

### ACCOUNTING REQUIREMENTS FOR EXPIRED AND CLOSED ACCOUNTS

#### 1.0 GENERAL

#### 1.1 Purpose

This chapter prescribes the accounting requirements, restrictions, and limitations for expired accounts and closed (cancelled) accounts. It addresses the fiscal year (FY) identity, periods of availability, obligation adjustments, and exceptions applicable to these accounts.

#### 1.2 Authoritative Guidance

The following laws and regulations within this chapter contain the current requirements for the efficient and effective use of expired and closed accounts which includes the responsibilities and authority in applying these accounting requirements for the Department of Defense (DoD):

1.2.1. Title 10, United States Code, section 8683 ([10 U.S.C. § 8683](#)), “Ship overhaul work: availability of appropriations for unusual cost overruns and for changes in scope of work.”

1.2.2. [31 U.S.C. § 1108](#), “Preparation and submission of appropriations requests to the President.”

1.2.3. [31 U.S.C. § 1514](#), “Administrative division of apportionments.”

1.2.4. [31 U.S.C. § 1551](#), “Definitions; applicability of subchapter.”

1.2.5. [31 U.S.C. § 1552](#), “Procedure for appropriation accounts available for definite periods.”

1.2.6. [31 U.S.C. § 1553](#), “Availability of appropriation accounts to pay obligations.”

1.2.7. [31 U.S.C. § 1554](#), “Audit, control, and reporting.”

1.2.8. [31 U.S.C. § 1555](#), “Closing of appropriation accounts available for indefinite periods.”

1.2.9. [31 U.S.C. § 1556](#), “Comptroller General: report on appropriation accounts.”

1.2.10. [31 U.S.C. § 1557](#), “Authority for exemptions in appropriation laws.”

1.2.11. [41 U.S.C. Chapter 71](#), “Contract Disputes.”

1.2.12. [41 U.S.C. § 3301](#), “Definition of records.”

1.2.13. Office of Management and Budget [\(OMB\) Circular A-123, Appendix A](#), “Management of Reporting and Data Integrity Risk.”

1.2.14. [OMB Circular A-11](#), Section 20, “Terms and Concepts.”

1.2.15. OMB Circular A-11, Section 130.16, “What steps do I take when budgetary accounting errors are identified involving a closed TAFS during a canceled phase?”

1.2.16. U.S. Department of the Treasury (Treasury) Financial Manual [\(TFM\) Volume 1, Part 2, Chapter 2000](#).

1.2.17. Treasury United States Standard General Ledger [\(USSGL\)](#).

## 2.0 DEFINITION

The definition provided in this section describes terminology associated with expired and closed/cancelled accounts.

**No-Year Accounts.** No-year authority usually remains in the unexpired phase until fully obligated and disbursed. When the purposes for which the authority was made available have been achieved, the account may be closed and the authority cancelled.

## 3.0 STANDARDS

### 3.1 Accounts

General ledger accounts and transactions required to record cancellations, account closure, and expired transactions are defined in the DoD Standard Chart of Accounts and in the DoD USSGL Transaction Library. These documents can be accessed on the Standard Financial Information Structure [\(SFIS\)](#) web page.

### 3.2 Expired Accounts

3.2.1. Expired funds retain their FY identity for five years after the time an appropriation expires (see Chapter 13, subparagraph 3.8.2). Expired funds are not available for new obligations. Both the obligated and unobligated balances of expired appropriations must be available for recording, adjusting, and liquidating obligations properly chargeable to that account.

3.2.2. Before an account closes/cancels, the affected DoD Component must identify valid unliquidated obligations subject to closure/cancellation to determine whether appropriations are available for future adjustments or payments against such obligations. Also, the DoD Component

must confirm whether adequate resources are available to pay for obligations that will close/cancel with an account.

### 3.3 Closed/Cancelled Accounts

\* 3.3.1. On September 30 of the fifth FY after the period of availability for obligation of a fixed appropriation account ends, the account must be closed and any remaining balance (whether obligated or unobligated) in the account must be cancelled and thereafter is not available for obligation or expenditure for any purpose, unless exempt by a provision of an appropriation law. Collections authorized or required to be credited to an appropriation account, but not received before closing of the account must be deposited in the Treasury as miscellaneous receipts in accordance with 31 U.S.C. § 1552(a). [All cancelling year transactions, i.e., transactions to be paid from an appropriation that is cancelling at the end of the current fiscal year, must be submitted to the Defense Finance and Accounting Service \(DFAS\) no later than September 15 each year \(or the business day prior when September 15 occurs on a weekend\).](#)

3.3.2. Certain appropriations are available for an indefinite period. Obligated and unobligated balances in such appropriations must be closed/cancelled when no disbursements have been made from the indefinite appropriation for two consecutive FYs and the President, the Secretary of Defense, or the Secretary's designee determines the purposes for which the appropriation was made have been carried out in accordance with 31 U.S.C. § 1555.

3.3.3. In some instances, following closure/cancellation of an appropriation, it becomes necessary to adjust an obligation that otherwise would have been properly chargeable (both as to purpose and amount) to an appropriation before closure/cancellation. Should such an adjustment become necessary, the obligation must be charged to an appropriation currently available for the same purpose, subject to certain limitations discussed in subparagraph 3.3.4. If an adjustment to an obligation otherwise properly chargeable to a closed/cancelled appropriation pursuant to 31 U.S.C. §§ 1551 – 1557 is required, and the related program or function has migrated from one DoD activity to another, the adjustment is chargeable to the current DoD activity to which the program has transferred. The current DoD activity is responsible for providing current year funds from an appropriation account available for the same purpose to satisfy the obligation.

3.3.4. When a currently available appropriation is used to pay an obligation, which otherwise would have been properly chargeable (both as to purpose and amount) to a closed/cancelled appropriation, the total of all such payments from that current appropriation may not exceed the lesser of:

3.3.4.1. The unexpended balance of the closed/cancelled appropriation (the unexpended balance is the sum of the unobligated balance plus the unpaid obligations of an appropriation at the time of closure/cancellation, adjusted for obligations and payments which are incurred or made subsequent to closure/cancellation, and which would otherwise have been properly charged to the appropriation except for the closure/cancellation of the appropriation); or

3.3.4.2. The unexpired unobligated balance of the currently available appropriation; or

3.3.4.3. One percent of the total original amount appropriated to the current appropriation being charged.

3.3.4.3.1. For annual accounts, the one percent limitation applies to the annual appropriation for the applicable account; not total budgetary resources (e.g., reimbursable authority).

3.3.4.3.2. For multi-year accounts, the one percent limitation applies to the total amount of the appropriation. For example, if a multi-year account enacted for FY 2019 through FY 2020 was \$100 million, the one percent limitation in FY 2019 would be \$1 million. At the end of FY 2019, if \$650,000 had been used for payment of obligations of closed/cancelled accounts, the amount available to be used for such payments in FY 2020 would be \$350,000 (\$1 million minus \$650,000).

3.3.4.3.3. For contract changes (as specified in paragraph 3.4), charges made to currently available appropriations have no impact on the one percent limitation rule, i.e., the one percent (of the currently available appropriation) amount is not decreased by the charges made to current appropriations for contract changes.

3.3.5. In order to prevent overpayments and ensure that applicable limitations are not exceeded, DoD Components must:

3.3.5.1. Identify the unobligated balance and unpaid obligations of all expired appropriations at the time they expire.

3.3.5.2. Identify the unobligated balance and unpaid obligations of all closed/cancelled appropriations at the time they are closed/cancelled.

3.3.5.3. Identify for closed/cancelled accounts all obligations and payments that were charged to currently available appropriations that otherwise would have been properly chargeable (both as to purpose and amount) to a closed/cancelled appropriation (as specified in subparagraph 3.3.4.).

3.3.5.4. Identify and maintain the amount that it is permissible to charge current appropriations for obligations and payments which otherwise would have been properly chargeable (both as to purpose and amount) to a closed/cancelled appropriation. This amount is determined by subtracting all subsequent obligations and payments made from the unexpended balance of the appropriation at the time it was closed/cancelled as indicated in subparagraph 3.3.5.3.

3.3.6. Official accounting activities must maintain proper general ledger controls for valid unpaid obligations and receivables pertaining to closed/cancelled accounts. General ledger controls must be perpetuated until all obligations are paid and accounts receivable collected. (This will ensure that valid liabilities continue to be tracked until satisfied, even though the accounts are closed/cancelled.) In addition, official accounting activities must:



3.3.6.1. Ensure that the beginning, unpaid obligation balance of each closed/cancelled appropriation accurately reflects the official Treasury balance of the appropriation on the date of closure/cancellation.

3.3.6.2. Perform a one-time review of each closed/cancelled appropriation to ensure that the beginning accounts payable (obligations unpaid) balance of each closed/cancelled appropriation accurately reflects the balances on the Standard Form (SF) 133, "Report on Budget Execution and Budgetary Resources," as of the date of closure/cancellation.

3.3.6.3. Ensure that an adequate audit trail is maintained for all corrections affecting closed/cancelled appropriations, including any offsetting corrections to current or expired appropriations. Records must be maintained in accordance with Volume 1, Chapter 9 that prescribes DoD policy on records retention in accordance with the National Archives and Records Administration ([NARA](#)) [General Records Schedules](#).

### 3.4 Contract Change Provisions

3.4.1. A contract change is defined in 31 U.S.C. § 1553(c)(3) as a change to a contract under which a contractor is required to perform additional work. Such term does not include adjustments to pay claims or increases under an escalation clause. Paragraphs 3.6 and 3.7 contain procedures for requesting approval of obligation adjustments for contract changes in excess of \$4 million, \$10 million, and \$25 million respectively.

3.4.2. Obligation adjustments, such as incentive or award fees and price inflation (escalation or economic price adjustments), are not considered contract changes for purposes of subparagraph 3.4.1. To the extent otherwise appropriate, such amounts may be charged to applicable accounts that otherwise have expired for incurring new obligation but have not yet been closed/cancelled. Such charges or adjustments must be supported by comprehensive written documentation containing a statement that the charges do not require, involve, or result in additional work or changes in scope. This statement must explain the circumstances, contingencies, or management practices that necessitated the adjustment.

3.4.3. For funding contract changes resulting from the contracting officer's final decision in accordance with the *Contract Disputes Act*, apply obligation adjustment rules in this chapter and in Chapter 8, subparagraph 3.6.2. *Contract Disputes Act* litigation judgments payable from the *Judgment Fund* result in a new agency obligation to reimburse the *Judgment Fund*. See Chapter 8, subparagraph 4.2.2. For reimbursements, use funds for the same purpose that are current at the time of the judgment.

3.4.4. 10 U.S.C. § 8683 permits expired appropriations available to DoD to be used for new obligations of appropriations for certain ship overhaul, maintenance, and repair efforts. Those purposes are obligation of expired funds for unusual cost overruns incident to overhaul, maintenance, and repair of vessels under commercial contract or by industrial-fund activity. There is a statutory congressional notification requirement for funding of unusual cost overrun obligational adjustments. Requests must be submitted to the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Deputy Comptroller (Program/Budget) (P/B). While expired

appropriations may be used in certain instances for new obligations; those appropriations are not available for new obligation beyond the end of the fifth FY following their expiration.

### 3.5 Shipbuilding and Conversion, Navy

3.5.1. The period of availability to incur obligations in the Shipbuilding and Conversion, Navy (SCN) appropriation for all purposes is normally five years. For limited purposes, SCN funds are available for obligation after the five-year period has ended. Appropriation language for the SCN appropriation often contains a provision to the effect that additional obligations for engineering services, tests, evaluations, and other such budgeted work that must be performed in the final stage of ship construction may be incurred after the appropriation otherwise would expire for obligation. This additional period allowed for incurring new obligations for such purposes is called “extended availability.”

3.5.2. DoD and Treasury employ special procedures to establish extended availability authority for the SCN appropriations because not all work required to induct a ship into the fleet can be completed within the first five years of availability of an SCN appropriation. The procedures are summarized as follows:

3.5.2.1. The FY of the latest obligation work limiting date (OWLD) for the last vessel financed by a particular SCN appropriation must represent the period of availability for obligation. After such date, the appropriation enters an expired status for five years and the balances are available only for obligation adjustments and payments.

3.5.2.2. An SCN appropriation is closed/cancelled on September 30 of the fifth year following the year of the last OWLD. Before the end of each FY, DoD notifies Treasury of the last OWLD for the SCN appropriation that will be expiring on September 30 of that FY. By the ninth workday of November of each year, the unobligated and obligated balances of that SCN appropriation are transferred by preparing the SF 1151, “Nonexpenditure Transfer Authorization,” to a new Treasury FY symbol. (See the TFM Volume I, Part 2, Chapter 2000.) For example:

On September 18, 1995, the Navy notified Treasury that the last OWLD for the FY 1991/1995 SCN appropriation was September 30, 2001. Before November 14, 1995, the balances of that SCN appropriation were transferred to the FY 1991/2001 SCN appropriation with a cancellation date five years later, September 30, 2006.

### 3.6 Obligation Adjustment for a Contract Change Greater Than \$4 Million

An obligation adjustment for a contract change to an expired appropriation under which a contractor is required to perform additional work may be incurred only if that obligation adjustment has been approved by the Under Secretary of Defense (Comptroller) (USD(C)), as designee of the Secretary of Defense. The DoD Component must request approval for an obligation amount that would cause the total amount of charges in any FY for a single program, project, or activity to exceed \$4 million and the account being used to fund the obligation is not

longer available for new obligation. The Secretary of the Navy may treat the limitation to be \$10 million rather than \$4 million for Navy Operation and Maintenance funds that are appropriated and available for ship overhaul.

3.6.1. If necessary, the applicable Component must submit requests for approval to OUSD(C), P/B.

3.6.2. The request for approval must include the following documentation:

3.6.2.1. The amount to be obligated.

3.6.2.2. The purpose for which the funds are to be obligated.

3.6.2.3. An explanation of the obligation adjustment including the reason for the adjustment and the contingencies or management practices that necessitated the adjustment.

3.6.3. Components must retain supporting documentation in accordance with Volume 1, Chapter 9 that prescribes DoD policy on records retention.

### 3.7 Obligation Adjustment for a Contract Change Equal to or Greater than \$25 Million

Special handling is required to process any obligation adjustment to an expired appropriation for a contract change, under which a contractor is required to perform additional work, for amounts of \$25 million or more in any FY. Such adjustments may be made only after the USD(C), as designee of the Secretary of Defense, submits a notice of intention to make the obligation to the Armed Services and Appropriation Committees of the Senate and the House of Representatives. The notice of intention must include the legal basis and policy reasons for the obligation.

3.7.1. After 30 days have elapsed following submission of the notice, in writing, the proposed obligation may be made unless the congressional committee notifies the USD(C) of its disapproval.

3.7.2. The charges or adjustments must be supported by a written comprehensive statement concerning the reason for the adjustment. This statement must explain the circumstances, contingencies, or management practices that necessitated the adjustment.

3.7.3. When notification to Congress is necessary, the applicable DoD Component must submit the required documentation including letters to the appropriate congressional committees for the USD(C) signature to OUSD(C), P/B.

### 3.8 Replacement Contracts

Expired funds also may be used to fund a replacement action (a replacement contract) under certain conditions. When a procurement action will result in a replacement contract, it may be

funded from expired funds if all of the conditions in subparagraphs 3.8.1-4 are met. If all of these conditions cannot be met, current year funds must be used to fund the requested action.

3.8.1. The DoD Component has a continuing bona fide need for the goods or services involved.

3.8.2. The original contract was made in good faith.

3.8.3. The original contract was terminated for default or for the convenience of the Government. If the original contract was terminated for the convenience of the Government, the termination must have been the result of a:

3.8.3.1. Court order;

3.8.3.2. Determination by a contracting officer that the contract award was improper due to explicit evidence that the award was erroneous and the determination is documented with appropriate findings of fact and of law; or

3.8.3.3. Determination by other competent authority (e.g., a Board of Contract Appeals) that the contract award was improper.

3.8.4. A replacement contract is used to obtain the goods or services that originally had been ordered under another contract that was terminated either for default or convenience of the Government. The replacement contract is:

3.8.4.1. The same size and scope as the original contract; and

3.8.4.2. Executed without undue delay after the original contract is terminated.

3.8.5. If a replacement action will result in an obligation that exceeds [the remaining unliquidated obligation balance of the original contract by \\$4 million](#), the action must first be submitted to the USD(C) for approval.

3.8.6. If a replacement action will result in an obligation [that exceeds the remaining unliquidated obligation balance of the original contract by \\$25 million](#), [then](#) a notice of intention (as discussed in paragraph 3.7) must be submitted to the appropriate congressional oversight committee at least 30 days in advance. After 30 days have elapsed following submission of the notice, the proposed obligation may be recorded unless one of the congressional oversight committees notifies the USD(C) of its disapproval.

### 3.9 Obligation Adjustments or Payments from Current Appropriations for Closed/Cancelled Accounts

3.9.1. When making payments from a current appropriation account for obligations of a closed/cancelled account, DoD Components must submit a written request for a “subclass” account from Treasury through DFAS, and include the purpose for the payment. Use these subclass

accounts to record applicable payments with Treasury. These payments are reported monthly on each Component's SF 224, "Statement of Transactions" (see Volume 6A, Chapter 3).

3.9.2. Record amounts for obligations that otherwise would have been properly chargeable to a closed/cancelled account (but are required to be charged to current accounts) only in the current account when payment is imminent during the current FY. Unless payment was made, do not report amounts for such obligations. If, at year-end, such amounts for obligations are known to be payable in the coming FY, that information must be footnoted on the year-end SF 224.

3.9.3. Enter current year obligation adjustments required due to closed/cancelled balances as negative amounts against specific applicable line items in column "k" of the Department of Defense (DD) 1416, "Report of Programs." If these adjustments cause the line item to exceed current year reprogramming thresholds, the amount in column "k" must be footnoted to indicate the amount is "applicable to closed/cancelled account adjustments." No reprogramming action is required. In addition, enter the total of all closed/cancelled account adjustments charged to the applicable appropriation in column "k" as a separate line item titled "Reduction to Finance Closed Account Adjustments." Show this amount as a positive number.

### 3.10 Current Appropriations Used for Expired Appropriations with Insufficient Obligation Authority

If the appropriation's period of availability has expired and the account has a negative unliquidated balance (insufficient funds), an obligation or adjustment of an obligation may be charged to a current appropriation that is authorized for the same purpose. However, if a subsequent review or investigation discloses that sufficient funds were available in the expired account, any charge made against the current account must be reversed. Charges against a current appropriation are prohibited if a sufficient balance exists in the expired account.

3.10.1. Charges to current year funds when sufficient obligation authority does not exist in expired appropriations may be made if all of the following conditions are met:

3.10.1.1. The obligation is charged to an appropriation available for the same purpose as the applicable expired account and is otherwise properly chargeable (except as to amount) to the applicable expired account before closure/cancellation of the expired account.

3.10.1.2. The Assistant Secretary of a Military Department for Financial Management and Comptroller, or the Comptroller of a Defense Agency, has determined that sufficient obligation authority does not exist in the applicable expired account to fund the applicable obligation.

3.10.1.3. The obligation is not otherwise properly chargeable to any DoD current appropriation under the transitional provisions as noted in 31 U.S.C. § 1553(b)(1).

3.10.2. The amount charged to a current appropriation may not exceed an amount equal to one percent of the total appropriation for that account (see subparagraph 3.3.4 that applies to

charges that can be made to a current account when the account that should have been charged has been closed/cancelled.)

### 3.11 Collection Credits After an Account is Closed/Cancelled

3.11.1. It is inappropriate to write-off valid accounts receivables as a result of closure/cancellation of appropriations with negative unliquidated obligations. Maintain proprietary accounts until settled by the debtor or until the debt is closed in accordance with guidance in Volume 4, Chapter 3.

3.11.2. When collections that are authorized or required to be credited to an account are received after the closure/cancellation of an account, deposit those collections in Treasury as miscellaneous receipts (31 U.S.C. § 1552). Accounting entries are specified in the *DoD USSGL Transaction Library* that can be accessed on the SFIS web page. See Volume 4, Chapter 3 for receivable accounting policy.

### 3.12 Exceptions to an Account's Period of Availability for Adjusting and Liquidating Obligations

3.12.1. Requirements applicable to the closure/cancellation of appropriations apply to all appropriation accounts unless specifically exempted by statute. A provision of an appropriations act may exempt an appropriation from the provisions of the new requirements for the closing/cancelling of accounts and may fix the period the appropriation remains available for expenditure (31 U.S.C. § 1557). Additionally, an appropriations act applies only to the appropriation for a specific FY. In order for an appropriation to preclude application of the limitations on expenditure specified in new provisions of Title 31, the statute must:

3.12.1.1. Identify the appropriation account for which the availability for expenditure is to be extended;

3.12.1.2. Provide that the appropriation account must be available for recording, adjusting, and liquidating obligations properly chargeable to the account; and

3.12.1.3. Extend the availability for expenditure of the obligated balances.

3.12.2. The availability for expenditure of specific accounts may be changed only through specific legislation. Request this authority only when payment of old balances from unexpired funds (based on historical outlay data) regularly would exceed the one percent limitation or would severely impact the current program.

3.12.2.1. When the nature of a DoD Component's program requires disbursements beyond the five-year period, the Component must submit proposed changes in appropriation language to OUSD(C), P/B. OUSD(C), P/B will submit the proposed changes to OMB for approval.

3.12.2.2. Absent specific authority, DoD Components may request re-appropriations of closed/cancelled balances through OUSD(C), P/B and defer payment until the appropriation is available. Treat the receipt of a re-appropriation as adding new budget authority.

### 3.13 Antideficiency Act Violations

The DoD Components are required to investigate and report potential Antideficiency Act (ADA) violations when certain limitations are exceeded. An ADA violation can occur when an obligation is charged against a current account when the obligation otherwise would be properly chargeable (except as to amount) to an expired account, and insufficient resources exist to fund the obligation in the applicable expired account. ADA investigation and reporting policy is specified in Volume 14.

### 3.14 Control, Reporting, and Certification Requirements

31 U.S.C. §§ 1554 and 1556, as amended, contain permanent audit, control, and reporting requirements pertaining to the liquidation of obligations.

#### 3.14.1. Control Requirements

3.14.1.1. 31 U.S.C. § 1554(a) stipulates that any audit requirement, limitation on obligations, or reporting requirement applicable to an appropriation must continue to apply to that appropriation following expiration of the period of availability for new obligation of that appropriation. If an appropriation act contains a limitation on the obligation of funds for a program, project or activity, or other purpose; that limitation continues during the five-year period after the period of availability for new obligations expires. Additionally, the limitation continues after the appropriation has been closed/cancelled.

3.14.1.2. DoD Components must establish and test internal controls to ensure that an adequate review of obligated balances is performed to support the certification in accordance with OMB Circular A-123, Appendix A. Components are also responsible for retaining documents in accordance with Volume 1, Chapter 9.

3.14.1.3. Proper general ledger controls must be maintained for closed/cancelled valid unpaid obligations and accounts receivable in closed/cancelled accounts. Balances in unexpired accounts may be used to fund closed/cancelled obligations. Closed/cancelled obligations can be posted to unexpired accounts only when a disbursement will be paid during the current year.

#### 3.14.2. Reporting and Certification Requirements

Under the provisions of 31 U.S.C. § 1554, the Secretary of Defense, or his designee, is required to submit a report to the President and the Secretary of the Treasury concerning the unliquidated obligations, unobligated balances, closed/cancelled balances, and adjustments made to appropriation accounts during the completed FY.



3.14.2.1. Due Date. This report is due not later than 15 days after the President submits his budget to Congress.

3.14.2.2. Distribution Requirements. A copy of the report must be submitted to the Speaker of the House of Representatives, the Committee on Appropriations, the Committee on Governmental Affairs, and other appropriate oversight and authorizing committees of the Senate (such as the Armed Services Committee).

3.14.2.3. Contents. 31 U.S.C. § 1554(b) requires that these reports contain:

3.14.2.3.1. An itemization of related appropriation accounts, identified by FY and the balances identified in each account. This itemization is reported through the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) and the Central Accounting Reporting System year-end module.

3.14.2.3.2. A descriptive list of each current and expired appropriation.

3.14.2.3.3. Identification of payments made from each applicable appropriation account with respect to those amounts that otherwise would have been properly chargeable to another account, both as to purpose and amount, except that the other account has been closed/cancelled (31 U.S.C. § 1553). These payments are reported on the DoD Component's SF 224.

3.14.2.3.4. Separate identification of obligation adjustments made to each currently applicable appropriation account that otherwise would have been properly chargeable to another account, both as to purpose and amount, except that the other account has been closed. These balances are reported in GTAS.

3.14.2.3.5. Identification of all balances closed/cancelled on September 30th of the fifth year following the expiration of an appropriation account's availability for incurring new obligations (31 U.S.C. § 1552(a)). These balances are reported in GTAS.

3.14.2.3.6. Identification of those appropriation accounts available for an indefinite period that have been closed because: No disbursements have been made from the account for a period of two consecutive years; and the President or the Secretary of Defense has determined that the purposes for which the appropriation was made have been carried out (31 U.S.C. § 1555).

3.14.2.3.7. A certification by the DoD Components that the obligated balances in each DoD appropriation account reflect properly existing obligations; and that expenditures made from each account since the time of submission of the prior report were supported by a proper obligation of funds and otherwise were proper.

### 3.15 Other Requirements

The following paragraphs specify detailed information about other review, accounting, and correction requirements regarding current, expired, and closed/cancelled accounts.

3.15.1. Apportionment Procedures. The SF 132, “Apportionment and Reapportionment Schedule,” must reflect the following footnote: “Up to one percent of the original amount of the appropriation (\$xxx.xx), or the unobligated balance, whichever is less, may be used for the purpose of obligation adjustments and payments, which otherwise would have been properly chargeable (both to purpose and amount) to a closed/cancelled appropriation.” To the extent that supplemental appropriations are enacted, reapportionment of the initial “one percent” amount may be requested.

3.15.2. Unliquidated Obligations. DoD Components must review remaining unliquidated balances in expired accounts and de-obligate all amounts not supported by documentary evidence prior to closure/cancellation. Financial and program managers:

3.15.2.1. At each of the various levels of contract and program management retain the responsibility to ensure that all transactions are appropriately concluded. If services and materials remain undelivered at the time of expiration, they must be subsequently delivered or, where such deliveries cannot be made, action is taken to terminate contractual obligations and revert the funds to maintain integrity of the funds until such time as all outstanding obligations are liquidated or claims are cancelled or liquidated.

3.15.2.2. At all activities must actively review uncompleted contracts, uncollected accounts receivable, and uncollected travel or pay advances held at their level to ensure validity of such items.

3.15.3. Payments After Closure/Cancellation of Appropriations. Payment is prohibited for amounts that cite closed/cancelled appropriations until the disbursing office has obtained a currently available appropriation fund cite from the funding activity.

3.15.4. Unmatched Disbursements for Closed/Cancelled Accounts. When a disbursement is made properly before the closure/cancellation of the appropriation but is not identified and matched with the proper obligation until after the closure/cancellation of the appropriation, charge that disbursement to the closed/cancelled appropriation. Make appropriate corrections to accounting records and reports as necessary; and submit those reports to Treasury. If an error is discovered in a closed/cancelled account for a disbursement made prior to the closure/cancellation of that account, see subparagraph 3.15.10 for correction of reporting errors.

3.15.5. Negative Unliquidated Obligations. Negative unliquidated obligation (NULO) balances generally occur in an account when valid disbursements are incorrectly matched with obligations and the disbursements exceed the obligations. Negative balances represent error conditions that must be researched and corrected as quickly as possible. See Chapter 11 for policy on NULOs.

3.15.6. Line Item Detail. The level of detail required to be maintained for expired accounts is the same as that required to be maintained for current accounts. The level of detail facilitates cost determinations and program assessment and evaluation. The detail provides visibility over expired accounts, an appropriate audit trail, and meets the objectives of the closing accounts legislation.

3.15.7. Uncollectible Accounts Receivable. A write-off of an uncollectible reimbursement receivable does not change total obligations within budgetary accounts. Such write-offs result in a reclassification to a direct program obligation of an obligation previously incurred. See the *DoD USSGL Transaction Library* for entries to account for uncollectible accounts receivable in closed/cancelled accounts.

3.15.8. Closing/Canceling an Account with a Negative Balance. The existence of a negative balance does not preclude an account from being closed/cancelled. DoD Components must clear the negative balance and establish a receivable for the amount of the negative balance before the account can be closed.

3.15.8.1. Submit informational accounting reports (i.e., SF 133) for the applicable account until the negative balance is resolved. These informational reports must indicate that the account is closed/cancelled, show the amount of the negative balance at the time the account was closed/cancelled, and identify the current amount of the applicable receivable.

3.15.8.2. Liquidate a negative balance by receiving offsetting collections. Deposit collections of overpayments to Treasury as miscellaneous receipts. An account with a negative balance may indicate that an ADA violation has occurred. If an ADA violation is suspected, see Volume 14 for ADA investigation and reporting requirements.

3.15.9. Accounting for Uncollectible Accounts Receivable in Closed/Cancelled Accounts. Budgetary accounts corresponding to accounts receivable must be closed/cancelled when an account is closed/cancelled. Total obligations within budgetary accounts do not change when the budgetary accounts are closed/cancelled. The write-off of an uncollectible reimbursement receivable results in a reclassification of an obligation previously incurred under the reimbursable program to a direct program obligation.

3.15.9.1. For expected refunds, the status of obligation authority must be tracked and is necessary to ensure that cumulative payments do not exceed the original appropriation of the closed/cancelled account even though paid from a current account.

3.15.9.2. Reclassify proprietary accounts established for accounts receivable applicable to closed/cancelled accounts. Deposit the subsequent collections of such amounts for this account to Treasury as miscellaneous receipts.

3.15.9.3. If, after compliance with established collection procedures, it is determined that an account is uncollectible, write-off the account by charging a bad debt account. The write-off of an uncollectible account applicable to the reimbursable program results in a

reclassification of obligations previously incurred under the reimbursable program to a direct program obligation.

#### 3.15.10. Correction of Reporting Errors in Closed/Cancelled Accounts

3.15.10.1. Corrections may be requested for two categories of errors: (a) clerical errors such as misplaced decimals, transposed digits, or transcribing errors resulting in inadvertent cancellations of budget authority; and (b) errors made in classifying a payment made prior to the closing/cancellation of an account, but not discovered until after the account was closed/cancelled. Component requests must include a written standalone legal opinion from their Office of General Counsel, applying the underlying facts and relevant law when (1) the request is for redistribution of offsetting collections previously recorded in a prior fiscal year where one [Treasury Appropriation Fund Symbol \(TAFS\)](#) is closed (i.e., unexpended balances are cancelled) and one TAFS is expired and/or (2) the request is for redistribution of gross outlays previously recorded in a prior fiscal year where one TAFS is closed (i.e., unexpended balances are cancelled) and one TAFS is expired. The opinion must address the limitations placed on reopening closed TAFS as applied to your component's particular factual situation. See OMB Circular A-11, section 130.16.

3.15.10.1.1. For clerical errors, the request must include the appropriation account number, the reason for the restoration, and convincing evidence of the clerical error to justify the restoration required to make the correction. At a minimum, this includes the original accounting record from which the incorrect posting was made and a record showing the incorrect amount.

3.15.10.1.2. For classification errors, Treasury accepts reporting to correctly classify payments previously reported to suspense/clearing accounts or to correct classification errors between current and closed/cancelled accounts.

3.15.10.2. The TFM Volume 1, Part 2, Chapter 2000 and the TFM Volume 1 Bulletins issued for FY-end processing identifies the address for submission and other contact information.

3.15.10.3. If a request for the correction of errors affects another DoD Component, coordinate the request with the affected Component and submit to the DFAS Deputy Director for Accounting Operations, 8899 East 56<sup>th</sup> Street, Indianapolis, IN 46249. DFAS must submit requests to Treasury after completion of its review.

3.15.10.4. See Chapter 11 for policy on the research and correction of unmatched disbursements and NULO transactions, and the resulting adjustments to Treasury.

**VOLUME 3, CHAPTER 11: “UNMATCHED DISBURSEMENTS, NEGATIVE UNLIQUIDATED OBLIGATIONS, AND IN-TRANSIT DISBURSEMENTS”****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 2015](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Verified all references and updated where appropriate. Corrected acronym usage, hyperlinks, and format.	Revision
All	Removed obsolete terminology that established research and reconciliation requirements based on the location of the accounting offices; and aligned requirements with the Treasury Financial Manual.	Revision
All	Deleted definitions duplicated in this chapter that exist in the Glossary; and moved other definitions located throughout the chapter to the “Definitions” section.	Deletion

## Table of Contents

VOLUME 3, CHAPTER 11: “UNMATCHED DISBURSEMENTS, NEGATIVE UNLIQUIDATED OBLIGATIONS, AND IN-TRANSIT DISBURSEMENTS”.....	1
1.0 GENERAL (1101).....	5
1.1 Purpose (110101) .....	5
1.2 Authoritative Guidance (110102).....	5
2.0 DEFINITIONS (1102).....	6
3.0 MATCHING DISBURSEMENTS TO OBLIGATIONS (1103).....	7
4.0 OVERAGED UMDs/NULOs (1104).....	8
4.1 Current and Expired Accounts (110401) .....	8
4.2 Accounts Closed/Scheduled to Close at Fiscal Year-End (110402) .....	9
4.3 Expenditure Controls (110403).....	11
5.0 RESPONSIBILITIES FOR FUNDING OVERAGED UMDs AND NULOs (1105) ....	11
5.1 Accounting Offices (110501).....	11
5.2 Disbursing Offices (110502).....	14
5.3 Office of the Under Secretary of Defense (Comptroller) (110503) .....	14
5.4 Fund Holders (110504) .....	15
6.0 PRIORITIES FOR RESEARCHING AND CORRECTING UMDs (1106) .....	16
6.1 First Priority (110601).....	16
6.2 Second Priority (110602) .....	16
6.3 Third Priority (110603) .....	16
6.4 Secondary-Level Priorities (110604) .....	16
7.0 RESEARCH REQUIREMENTS FOR OVERAGED NULOs/UMDs (1107) .....	17
7.1 General Requirements (110701) .....	17
7.2 Contracts (110702).....	17
7.3 Reimbursable Order/Military Interdepartmental Purchase Request (110703)...	18
7.4 Travel Orders (110704).....	19
7.5 Military Standard Requisitioning and Issue Procedures Requisitions (110705)	19
7.6 Unidentified Document Numbers (110706).....	20
7.7 Other Transactions (110707).....	20
8.0 REQUEST TO DISCONTINUE UMD/NULO RESEARCH (1108).....	21
8.1 Research Decision (110801) .....	21
8.2 Minimum Criteria for Discontinuance (110802) .....	21

**Table of Contents (Continued)**

8.3	Reporting Continued Research Efforts (110803).....	22
9.0	CORRECTION/POSTING DISBURSEMENTS – APPROPRIATED FUNDS (1109)	22
9.1	General Requirements (110901) .....	22
9.2	Correction of Disbursement – Current/Expired Appropriation (110902).....	23
9.3	Correction of Disbursement – Closed Appropriation (Before Closure) (110903) .....	23
9.4	Correction of Disbursement – Closed Appropriation (After Closure) (110904)	25
9.5	Posting Requirements – Unidentified Obligation (110905).....	27
9.6	Posting Requirements – Discontinued Research Approved (110906) .....	29
10.0	CORRECTION/POSTING DISBURSEMENTS – WORKING CAPITAL FUNDS (1110) .....	30
10.1	General Requirements (111001) .....	30
10.2	Posting Requirements – Identified Obligation (111002) .....	30
10.3	Posting Requirements – Unidentified Obligation (111003).....	32
10.4	Posting Requirements – Discontinued Research Approved (111004) .....	34
11.0	CORRECTION/POSTING DISBURSEMENTS – FOREIGN MILITARY SALES TRUST FUND (1111) .....	35
11.1	General Requirements (111101) .....	35
11.2	Special Notification Requirements (111102) .....	35
11.3	Posting Requirements – Identified Obligation (111103) .....	35
11.4	Posting Requirements – Unidentified Obligation (111104).....	36
11.5	Posting Requirements – Discontinued Research Approved (111105) .....	38
12.0	CORRECTIONS OF DISBURSEMENTS – MULTIPLE FUND TYPES (1112) .....	38
13.0	CORRECTIONS REQUIRING NEW DISBURSEMENTS OR COLLECTIONS (1113) .....	38
13.1	General Requirements (111301) .....	38
13.2	Current/Expired Appropriation or Working Capital/Trust Fund (111302).....	38
13.3	Closed Appropriation (111303) .....	39
14.0	PROCESSING IN-TRANSIT DISBURSEMENTS (1114) .....	40
14.1	General Requirements (111401) .....	40
14.2	Reasons In-Transits Occur (111402).....	41
14.3	Required Documentation (111403).....	42
14.4	Processing Cross-Disbursed In-transit Disbursements (111404).....	43
14.5	Additional Responsibilities for Resolving In-transit Disbursements (111405) .	44



**Table of Contents (Continued)**

15.0	REPORTING REQUIREMENTS (1115).....	45
15.1	Data Collection Requirements (111501).....	45
15.2	Monthly Reporting Requirements (111502) .....	45
16.0	RECORD RETENTION (1116) .....	45

## CHAPTER 11

**UNMATCHED DISBURSEMENTS, NEGATIVE UNLIQUIDATED OBLIGATIONS,  
AND IN-TRANSIT DISBURSEMENTS**

## 1.0 GENERAL (1101)

## 1.1 Purpose (110101)

This chapter prescribes the accounting standards and related management requirements necessary to establish and maintain financial control over disbursement, collection, and adjustment transactions affecting the fund balances with the U.S. Department of the Treasury (Treasury) and cash resources that are not part of the fund balance with Treasury. This chapter also prescribes the requirements for researching and correcting unmatched disbursements (UMDs), negative unliquidated obligations (NULOs), and in-transit disbursements.

## 1.2 Authoritative Guidance (110102)

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

1.2.1. Title 36, Code of Federal Regulations, parts 1220 and 1236, (36 CFR parts 1220 and 1236)

1.2.2. Title 31, United States Code, section 1501 (31 U.S.C. § 1501)

1.2.3. 31 U.S.C. §§ 1551 - 1557

1.2.4. 44 U.S.C. §§ 3101 – 3107 and 3301 - 3303

1.2.5. Office of Management and Budget (OMB) Circular A-123

1.2.6. Treasury Financial Manual, Volume 1, Part 2, Chapter 3100 (1 TFM 2-3100)

1.2.7. 1 TFM 2-5100

1.2.8. Defense Logistics Manual (DLM) 4000.25, Defense Logistics Management Standards (DLMS), Volume 4

## 2.0 DEFINITIONS (1102)

The definitions provided in this section describe terminology associated with UMDs, NULOs, and in-transit disbursements and provide information specifically for purposes of this chapter.

2.1.1. Accounting Center. The accounting centers for the Department are the Defense Finance and Accounting Service (DFAS) Centers in Cleveland, Columbus, Indianapolis, and Rome. The accounting center is responsible for receiving and processing status of funds reports from accounting offices that support Department of Defense (DoD) Component fund holders. For cross-disbursements, an accounting center may distribute in-transit disbursements received from paying centers to accounting offices and monitor the status of disbursement recordation.

2.1.2. Accounting Office. An accounting office is responsible for maintaining accounting records of assigned fund holders. All accounting offices are assigned a six-digit Agency Accounting Identifier Code (fiscal station number, authorization accounting activity, or accounting and disbursing station number). All disbursement transactions eventually must be distributed to an accounting office, recorded against a valid obligation, and reported on status of funds reports and financial statements. All accounting offices within the Department report through the DFAS Centers in Cleveland, Columbus, Indianapolis, or Rome.

2.1.3. Cross-Disbursement. A cross-disbursement is created when a disbursing office makes a payment for an accounting office that reports to a DFAS center other than the center to which the disbursing office reports. A cross-disbursement is also created when a non-DoD federal agency (such as the Department of State) makes a payment charged to a DoD account.

2.1.4. Currently Available Appropriation. An appropriation or fund against which new obligations may be incurred and recorded (as contrasted with an expired or closed appropriation against which new obligations may not be incurred).

2.1.5. Disbursing Office. A disbursing officer (DO) is responsible for disbursing and collecting funds on behalf of one or more DoD Components as well as ensuring proper internal controls, and obtaining, maintaining, and providing sufficient supporting documentation for such transactions. In the case of centralized disbursing, documentation functions may take place at an entitlement activity rather than at a disbursing office. Disbursing offices also are responsible for reporting disbursements and collections to a paying center using a unique four-digit Disbursing Station Symbol Number (DSSN) assigned by Treasury.

2.1.6. Disbursement Not Sent. A disbursement transaction that has been reported to Treasury by a disbursing office, but has not yet been transmitted to the accounting office.

2.1.7. Entitlement Activity. An entitlement activity is responsible for certifying the validity of payments on behalf of one or more DoD Components; and consequently, is responsible for obtaining, maintaining, and providing sufficient supporting documentation for such payments. In the case of centralized disbursing, supporting documentation remains with the entitlement activity rather than the disbursing office.

2.1.8. Paying Center. A paying center is responsible for consolidating disbursements and collections transmitted by DOs that report to the center, and for reporting the DOs' returns by assigned DSSNs to Treasury.

2.1.9. Suspense Account (Budget Clearing Account). Treasury Account F3875 temporarily credits unclassified transactions from the public or other Federal entities when there is a reasonable presumption that the amounts belong to the agency. Suspense (clearing) accounts immediately affect the budget and transactions must be reconciled within 60 days.

2.1.10. Inter-appropriation. Inter-appropriation transactions result from business activities conducted by entities that are not consolidated such as DoD and a state or local government.

2.1.11. Intra-appropriation. Intra-appropriation transactions result from business activities conducted by two different consolidation federal entities included in the Financial Report of the U.S. Government.

2.1.12. Obligation. For purposes of matching a disbursement to its proper obligation, the term obligation refers to each separate obligation amount identified by a separate line of accounting. While a single order may be funded by multiple lines of accounting, each line of accounting represents a separate obligation amount to which the resulting disbursement must be matched. DoD requirements for incurring and recording obligations are prescribed in Chapter 8. [See the Glossary for a complete definition of obligation.](#)

### 3.0 MATCHING DISBURSEMENTS TO OBLIGATIONS (1103)

A disbursement must be matched to its corresponding, detail-level obligation and recorded as promptly as current systems and business practices permit. The vast majority of obligations and disbursements are matched automatically via the Department's various system interfaces. However, some obligations and disbursements are required to be manually matched, mainly due to non-automated processes or the rejection of transactions by automated systems. When a disbursement is recorded in the accounting system but not matched to an obligation, the disbursement [results in](#) a UMD. When a disbursement is recorded in the accounting system and is matched to an obligation, but the amount of the disbursement exceeds the amount on the recorded obligation, the amount of the disbursement in excess of the applicable obligation [results in](#) a NULO. After performing due [diligence](#) research [IAW](#) section [1105](#), obligations must be established and recorded for all UMDs and NULOs no later than September 30 of the year that the cited appropriation is scheduled to be closed regardless of the date that the disbursement was made. [Fund holders must participate in the resolution of both UMDs and NULOs as both affect funds availability and have Antideficiency Act \(ADA\) implications. In addition to the timelines specified in this chapter, UMDs and NULOs must be included in the Dormant Account Review addressed in Chapter 8.](#)

3.1.1. UMD and NULO Research Requirement. Research and correction actions must begin as soon as it is apparent that a disbursement transaction has resulted in a UMD or a NULO. The accounting office involved must immediately determine whether the disbursement is a valid charge to the fund holder, and whether a matching obligation transaction is recorded under a

different or incorrect document number. If the disbursement is not a valid charge to the fund holder, the accounting office and the fund holder must reject the disbursement IAW subparagraph 111404.C or paragraph 111405. If a matching obligation is recorded under an incorrect document number, the fund holder must immediately correct the document number, thus allowing for the proper matching of the disbursement to its corresponding, detail-level obligation. If an accounting adjustment affects a contract payment, contract reconciliation must be performed IAW Volume 10, Chapter 20. Other research requirements are specified in section 1107.

3.1.2. Record an Obligation for Unresolved UMDs and NULOs. Immediately notify the fund holder of applicable UMDs or NULOs. If research efforts fail and the condition is not corrected, advise the fund holder of the requirement to establish a matching obligation within the timeframes delineated in paragraph 110501. If the fund holder fails to record an obligation, the accounting office must elevate the issue IAW subparagraphs 110501.A.3 or 110501.B.4 as applicable.

3.1.3. Establish Obligations for UMDs and NULOs at the Transaction Level. Disbursements must be matched to their corresponding obligation at the detail transaction level. After performing due research IAW section 1105, obligations recorded for UMDs and NULOs must be recorded at the detail transaction level as follows:

3.1.3.1. An obligation in the amount of the disbursement must be recorded at the transaction level for UMDs.

3.1.3.2. An obligation adjustment in the amount of the disbursement in excess of the applicable obligation must be recorded at the transaction level for NULOs.

#### 4.0 OVERAGED UMDs/NULOs (1104)

##### 4.1 Current and Expired Accounts (110401)

4.1.1. Unobligated overaged NULOs and UMDs have the first claim to the unobligated balances in any of the current and expired accounts. New obligations, or new upward obligation adjustments, may be executed only when and to the extent that there is an unobligated balance remaining in an account after all overaged NULOs and UMDs have been obligated. Thus, no new obligations or obligation adjustments may be incurred in the account to the extent that unobligated balances in such accounts are zero, or overaged NULOs and UMDs (if they are obligated) when added to obligated balances, would exceed the availability in such accounts.

4.1.2. DoD Components may continue to research overaged NULOs and UMDs without the need to initiate an investigation of a potential ADA violation, except as provided for in subparagraphs 110401.C – E.

4.1.3. If an account is obligated fully (but not overobligated) and has unresolved overaged NULOs and UMDs that, if obligated, would exceed the availability in an account, payments may continue, provided the account is not in danger of exceeding the unexpended balance (resulting in an overdisbursement). If an overdisbursement occurs, payments from the account must stop

immediately, and the DoD Component involved must [accomplish actions required for a potential ADA violation IAW Volume 14.](#)

4.1.4. Should a new obligation or obligation adjustment be incurred in an account that has been obligated fully as a result of unresolved, overaged UMDs or NULOs, such an obligation must be recorded even though it will result in recorded obligations in excess of available resources. Additionally, the DoD Component involved must [accomplish actions required for a potential violation IAW Volume 14.](#)

4.1.5. This chapter must not be construed as authorizing a delay in (1) the recording of an executed obligation that would result in an overobligation or (2) the requirement to conduct an investigation of a potential ADA violation that results from any action other than the sole requirement to obligate amounts for UMDs and NULOs.

#### 4.2 Accounts Closed/Scheduled to Close at Fiscal Year-End (110402)

4.2.1. Obligations must be established [no later than September 30](#) by all [DoD Components](#) for all UMDs, NULOs and in-transit transactions in appropriations scheduled to close at the end of the current fiscal year.

4.2.2. If such obligations result in obligations in [an excess of available funds](#), the DoD Components [must resolve the negative balance and report to Treasury within two months but no later than the end of the current fiscal year.](#) See Chapter 10 for additional information.

4.2.3. If the account is not returned to a positive balance [within 60 days](#), the DoD Component involved must [accomplish actions required for initial identification and investigation of a potential ADA violation IAW Volume 14.](#)

4.2.4. Each administrative subdivision of an appropriation carries with it the responsibility for any potential or actual ADA violation. A DoD Component has the right to modify the number or level of administrative subdivisions within an appropriation before the closure of an appropriation. However, once an appropriation closes, no further modification or change may be made in the number or level of administrative subdivisions. Further, the modification of number or level of subdivision does not override the requirements in Volume 6A, Chapter 4, [section 0406](#) regarding the level of reporting on the *Appropriation Status by Fiscal Year Program and Subaccounts (Accounting Report Monthly 1002)* or control requirements in Chapter 10, subparagraph [100314.A.1.](#)

4.2.5. A new cash disbursement, which would be chargeable (both as to purpose and amount) to an appropriation except that the appropriation is closed, must be paid from an appropriation that currently is available for the same purpose. However, a proposed payment may not exceed the:

4.2.5.1. Unexpended balance of the closed appropriation.

4.2.5.2. Unobligated balance of the currently available appropriation charged.

4.2.5.3. One percent limitation, discussed in subparagraph 110402.F.

4.2.6. The cumulative amount of payments charged to a currently available appropriation, because the original appropriation(s) that otherwise would have been charged has been closed, may not exceed one percent of the total amount appropriated to the currently available appropriation being charged. If it exceeds the one percent limit, the office funding the proposed payment (contract) must contact the Military Department Assistant Secretary for Financial Management and Comptroller (FM&C) or Defense Agency Comptroller for referral to the Office of the Under Secretary of Defense (Comptroller) (OUSDC), Deputy Chief Financial Officer (DCFO) for appropriate disposition.

4.2.7. Corrections of payments involving closed appropriations must be processed as inter- and intra-appropriation adjustments. Such corrections generally do not require the obligation of currently available funds or deposits to the Treasury miscellaneous receipts account if the payment occurred before the closure of the applicable appropriation, or appropriations available for new obligation already have been charged properly.

4.2.8. Inter- and intra-appropriation adjustments to correct accounting records must not be accomplished by using a cash disbursement or cash collection.

4.2.9. A potential ADA violation must be reported and a preliminary investigation initiated if posting an adjustment to a current, expired or closed appropriation would result in either (1) a negative unobligated balance or (2) disbursements that are in excess of the amount appropriated, at either the appropriation level or a portion thereof that has been subdivided. See Volume 14 for ADA investigations and reporting requirements.

4.2.10. Perpetual balances of unobligated amounts and unliquidated amounts must be maintained for each closed appropriation. If the unobligated balance or unexpended balance in a closed appropriation is negative, a potential ADA violation has occurred and must be reported and investigated.

4.2.11. All disbursements and collections, or adjustments to disbursements and collections, involving current, expired, or closed appropriations, must be reported to Treasury. However, a correction in which both the debit and credit entry cite a closed appropriation is not reported to Treasury.



#### 4.3 Expenditure Controls (110403)

The DoD Components must work with accounting and disbursing offices to implement effective controls to prevent overexpenditures in accounts that may be in an overobligated position or that have UMD or NULO balances that exceed the unobligated balance in the account. This action is necessary because normal controls for determining expenditure availability are based on the unexpended balance of the obligations.

#### 5.0 RESPONSIBILITIES FOR FUNDING OVERAGED UMDs AND NULOs (1105)

##### 5.1 Accounting Offices (110501)

5.1.1. [The accounting office must contact the fund holder immediately for corrective action](#) when an obligation document that corresponds to a disbursement resulted in a UMD or NULO, but the obligation document has not been recorded, or not recorded for, or adjusted to, the proper amount, the [accounting office](#) must perform the following actions within [60 days](#):

5.1.1.1. [Immediately](#) provide the fund holder with a copy of the obligating document or disbursing document (in the case of a duplicate or overpayment), and request the fund holder record an obligation or obligation adjustment within 10 days of notice.

5.1.1.2. If the fund holder does not record the requested obligation, or obligation adjustment, within 10 days of notice, [escalate the matter with the DoD Component](#), within the subsequent 10 days. The accounting office must notify the fund holder of any action taken.

5.1.2. When an accounting office does not have an obligation document that corresponds to a disbursement that has resulted in a UMD or NULO, the accounting office must:

5.1.2.1. Immediately inform the fund holder of the UMD or NULO and also research the cause of the UMD or NULO. The required supporting documentation should be readily available [from the fund holder](#).

5.1.2.2. Conduct research as required in section [1107](#) and provide the results of the research to the fund holder within 30 days. The Director or designee must advise the fund holder of the type, extent, and results of the research performed. Supporting documentation accumulated in the performance of the research must be retained and made available to the fund holder upon request.

5.1.2.3. If supporting documentation shows that a valid obligation was incurred but not recorded, **notify** the fund holder that an obligation **must be recorded within 60 days**. The **valid obligation** must be documented and include the documentation that supports the obligation. **The fund holder must provide the obligating document to the accounting office within five days of the subsequent accounting period close**. The fund holder **must analyze the** commitment and obligation files, evaluate the research documents provided by the accounting office, and/or request additional funding as required.

5.1.2.4. If the fund holder does not record the requested obligation or obligation adjustment within **five** days of notice, **immediately escalate the matter with the fund holders' leadership**. The supporting documentation required at the time of disbursement is sufficient to support the recording of a matching obligation. See Volume 10, Chapter 8 for supporting documentation requirements, and Volume 5, Chapter 9 for payment certification requirements.

5.1.3. Obligation and obligation adjustment transactions must be recorded at the detail document/transaction level to ensure the proper matching of obligation and disbursement transactions and to properly affect unobligated balances.

5.1.4. When the **fund holder** records a valid obligation or obligation adjustment that was not previously recorded and that action indicates a potential ADA violation, the DoD Component must be notified immediately and the DoD Component must conduct a preliminary investigation of the potential ADA violation **IAW** Volume 14, Chapter 3.

5.1.5. When there is an indication of a potential duplicate payment or overpayment, the accounting office **and fund holder** must promptly review all applicable payment files. If there is a duplicate payment or overpayment, the **fund holder** must record a refund receivable and initiate a recovery of funds action. Additionally, the accounting office must record **the applicable transactions that may result in a UMD or NULO**, and advise the fund holder that the **UMD or NULO** requires **corrective action** within the timeframes specified in subparagraph **110501.A**.

5.1.6. In accordance with Chapter 8, **Section 0813**, paragraph **081310**, disbursement documents that support obligations that have not been recorded previously must be recorded at the obligation-paid stage of accounting with a corresponding decrease in the uncommitted/unobligated balance of the affected allotment.

5.1.7. In accounting for closed appropriations, accounting offices must:

5.1.7.1. Maintain the official accounting records for all corrections to the balances of closed appropriations and funds **IAW Volume 1, Chapter 9**.

5.1.7.2. Establish appropriate controls over closed appropriations by initiating the following actions (minimum requirements):

5.1.7.2.1. Submit all corrections to closed appropriations to the accounting center. All corrections to closed appropriations must be transmitted to the applicable accounting center for posting to the accounting center's accounting records and/or approval to post to the accounting office's accounting records. The accounting center's accounting records must support the accounting records of the accounting office responsible for the administrative control of the closed appropriation. [For more information on Correction of Reporting Errors in Closed/Cancelled Accounts, see Chapter 10.](#)

5.1.7.2.2. Develop and implement procedures to ensure that all transactions affecting closed appropriation unobligated and unliquidated balances are provided to the appropriate accounting center responsible for maintaining the unobligated and unliquidated obligation balances.

5.1.7.3. Adjust detailed records to reflect accounting corrections when detailed records are still being maintained for contract payment or other purposes. If an accounting adjustment affects a contract payment, contract reconciliation will be performed if required by and [IAW Volume 10, Chapter 20.](#)

5.1.7.4. Record corrections for UMDs, NULOs, and in-transit disbursement transactions for which research actions have been completed and correcting accounting transactions have been identified and submitted by a DoD Component:

5.1.7.4.1. Record corrections received from DoD Components within five days of receipt (except as provided for in subparagraph [110501.I.4.b](#)). The recording of such corrections must not be delayed pending the completion of contract reconciliation or other related actions.

5.1.7.4.2. Reject a proposed correction if the proposed correction is in error. (A proposed correction may not be rejected solely because a contract has not been reconciled fully or other actions have not been completed.)

[5.1.8.](#) In accounting for closed appropriations, accounting centers [and fund holders](#) must:

5.1.8.1. Maintain the official Treasury records for all corrections to the balances of closed appropriations and funds. Ensure that an adequate audit trail is maintained for all corrections affecting closed appropriations, including any offsetting associated corrections to current or expired appropriations. See section [1116](#) and Volume 1, Chapter 9 for DoD policy on record retention.

5.1.8.2. Ensure that the beginning, expended unpaid balance of each closed appropriation accurately reflects the official Treasury balance of the appropriation on the date of closure.

5.1.8.3. Perform a one-time review of each closed appropriation to ensure that the beginning accounts payable (obligations, unpaid) balance of each closed appropriation accurately reflects the balances on the Standard Form 133, "Report on Budget Execution and Budgetary Resources," as of the date of closure.

## 5.2 Disbursing Offices (110502)

5.2.1. A DO must ensure supporting documentation is provided to the accounting office or fund holder upon request. Such supporting documentation must be provided no later than 30 days after the date of the request. Supporting documentation may include a copy of the contract, payment voucher, receiving report, and vendor invoice. Such supporting information also may be obtained or provided via electronic data access. All disbursements must remain classified in the accounting system to the line of accounting in which originally reported until resolved. All invalid transactions recorded in suspense accounts F3875 and F3885 must be reclassified in the accounting system to the correct line of accounting or resolved and cleared from the suspense account. See section 1116 and Volume 1, Chapter 9 for DoD policy on record retention.

5.2.1.1. Transfer positive balances to Treasury miscellaneous receipts account IAW Volume 5, Chapter 8.

5.2.1.2. For negative balances, initiate action for a discontinued research approval as specified in section 1108 or a potential ADA violation IAW Volume 14 as appropriate.

5.2.2. A DO is responsible for recouping an overpayment IAW internal recovery procedures for refunds due from the public. Since the overpayment or a duplicate payment may have caused a UMD or NULO, the DO must assist, as required, in the research of UMDs and NULOs.

## 5.3 Office of the Under Secretary of Defense (Comptroller) (110503)

The OUSD(C), Deputy Comptroller, Program/Budget (P/B) must ensure the following actions are taken when (a) funds in a particular Defense-wide account are allocated to a number of fund holders (sub-allocation holder identifiers) and (b) disbursements exceed obligations at the appropriation level, but not at a fund holder's level:

5.3.1. The applicable DoD Component(s) reserves, commits, or obligates appropriate amounts against the fund holders' accounts.

5.3.2. A report of a potential ADA violation is submitted to the OUSD(C), DCFO when applicable.

5.3.3. An investigation of a potential ADA violation is initiated, when warranted, IAW Volume 14.

5.3.4. Corrective actions are taken by the fund holder and the applicable accounting office, as appropriate. Corrections must be adequately supported and must identify the cause of the error.

#### 5.4 Fund Holders (110504)

OUSD(C), P/B, the Military Department Assistant Secretaries (FM&C), Comptrollers of the Defense Agencies and DoD Field Activities, and other DoD fund holders must:

5.4.1. Designate an appropriation manager to receive, process, and take action on notifications from accounting offices; and to take other appropriate action(s) regarding the stoppage of payments, the obligation of disbursement transactions within the prescribed timeframes, and other actions provided for in this chapter.

5.4.2. Obligate funds within the timeframes specified in paragraph 110501 after the receipt of an initial notification from the cognizant accounting office that a disbursement is unmatched or exceeds an obligation at the allotment/fund holder level. If sufficient unobligated balances are not available, an investigation of a potential ADA violation must be initiated, when warranted, IAW Volume 14.

5.4.3. Upon notification from the cognizant accounting office that a disbursement exceeds an obligation at the obligation level and the condition has not been corrected, provide the accounting office, as appropriate, an obligation document, or a funding document together with an obligation document, to cover the amount of the UMD or NULO within the timeframes specified in paragraph 110501.

5.4.4. When sufficient availability does not exist in the appropriation (or other administrative subdivision of funds), request a realignment of funds within an account or between accounts, a reprogramming of funds, a deficiency supplemental, or other acceptable funding solution. Also, forward supplemental funding documents to the cognizant accounting office to cover any funding shortfalls.

5.4.5. Initiate a review, immediately, of the circumstances to determine whether an investigation of a potential ADA violation is warranted IAW Volume 14.

5.4.6. Develop and implement standard procedures for determining the timeframes and procedures for record retention applicable to detail accounting transaction records for closed appropriations. These procedures must ensure that required balances of each appropriation are accurately maintained while minimizing the cost associated with maintaining large databases or record files of completed transactions for records which no longer are required.

5.4.7. In addition to the responsibilities addressed in paragraph 110504, the DoD fund holders must resolve UMDs and NULOs, upon notice, within the timeframes specified in paragraph 110501. The fund holder must:

5.4.7.1. Deobligate any invalid and/or unsupported obligations. Footnote the reasons for such deobligations on the applicable journal voucher or open document listing supporting the deobligation action IAW Chapter 8, section 0804.

5.4.7.2. Assist with the reconciliation of commitment and obligation information between the pay/contract/vendor system and the accounting system.

## 6.0 PRIORITIES FOR RESEARCHING AND CORRECTING UMDs (1106)

The following three priority groups are established for researching and correcting all disbursement transactions that have not been properly matched to the correct obligation:

### 6.1 First Priority (110601)

The first priority is appropriations or funds specifically requested by OUSD(C).

### 6.2 Second Priority (110602)

The second priority is appropriations or funds in an overexpended or overobligated status, regardless of whether the appropriation is in a current, expired, or closed status. Also included in this category are other appropriations, funds or transactions that have caused or are anticipated to cause stop payment orders or create a negative balance condition within the next 60 days.

### 6.3 Third Priority (110603)

The third priority is all other appropriations and funds, whether in a current, expired, or closed status.

### 6.4 Secondary-Level Priorities (110604)

Within each of the three priority groups, appropriations or funds with the highest negative balance/amount of UMDs generally must be researched ahead of appropriations or funds with lower balances/amounts. Within each appropriation or fund, prioritize transactions and documents beginning with the highest dollar value and continue to work the transactions and documents within that appropriation.

6.4.1. Continue this priority until all applicable transactions in the appropriation or fund are researched and corrected and the account is restored to a positive balance, NULO balances are eliminated and/or UMDs are matched, as applicable.

6.4.2. Not all transactions in an account must be matched or resolved before beginning research efforts in another account.

## 7.0 RESEARCH REQUIREMENTS FOR OVERAGED NULOs/UMDs (1107)

### 7.1 General Requirements (110701)

This section identifies the minimum research requirements for all overaged NULO and UMD transactions. It covers contracts, reimbursable orders, Military Interdepartmental Purchase Requests (MIPRs), travel orders, and Military Standard Requisitioning and Issue Procedures (MILSTRIP).

### 7.2 Contracts (110702)

#### 7.2.1. Accounting Office Actions

7.2.1.1. Select contract(s) for review based on either a large individual UMD transaction or NULO condition and/or large aggregate total UMD transactions or NULO conditions.

7.2.1.2. Obtain the accounting system transaction history maintained in the accounting office and the payment transaction history from the disbursing office, or the output of obligation and payment differences from an accounting system/payment system comparison program if there are numerous UMDs showing incompatibility with the funds or amounts on the contract.

7.2.1.3. Review the output of a comparison program of the accounting and payment systems, when available. This can substitute for transaction histories from either system, and will reveal obligation modifications recorded in one system but not the other, as well as potentially omitted modifications.

7.2.1.4. Review obligation transactions recorded in the accounting system to determine that all contract modifications have been recorded.

7.2.1.5. Follow up with the contracting office and contract administration office to verify that all modifications have been recorded, and request that any contract modification errors and omissions be corrected or recorded when a missing contract modification is suspected.

7.2.1.6. Determine the error condition of each UMD (e.g., wrong appropriation or insufficient funds) to guide further research.

7.2.1.7. For a UMD, make a system inquiry, or request the accounting system closed contract history if there is no contract on the active accounting system records. If the contract is in the closed history file, take action to reopen the contract and record the transaction.



7.2.1.8. Review unmatched transactions for indications of specific error conditions. Such conditions include omitted progress payment recoupments for a contract having progress payments, inappropriate appropriation data configurations, or duplicate submission of payment data.

7.2.1.9. Report corrections made to transactions for accounting system recording, (e.g., changes to the appropriation data configuration) to the disbursing office for correction of its records.

7.2.1.10. Reject those transactions that cannot be corrected back to the disbursing office for correction or recovery (e.g., the wrong accounting office or suspected overpayments). Perform the related required central reporting system actions.

7.2.1.11. Request selected voucher copies and supporting information when a centrally-administered contract is still open on the accounting activity's payment records and reconciliation cannot be accomplished between the accounting system transaction history and payment system transaction history.

#### 7.2.2. Disbursing Office Actions

7.2.2.1. When a request for information on payment transactions is made by an accounting office, search the files for payment vouchers and, if available, provide a copy to the requesting office. If the payment records and files cannot be found due to age or apparent loss, respond as promptly as possible regarding these facts.

7.2.2.2. Review contract payment files promptly and verify whether the reported reject reason is correct when a disbursement transaction is rejected back from an accounting office with evidence that it was misrouted or is a duplicate or overpayment. If the rejection is valid, initiate a correction or recovery of funds for the duplicate or overpayment and respond as to the action taken.

### 7.3 Reimbursable Order/Military Interdepartmental Purchase Request (110703)

For reimbursable orders and MIPRs, the accounting office must:

7.3.1. Check the UMD for error reason codes, such as insufficient funds or unmatched document number.

7.3.2. Refer the transaction to the ordering office or ordering command fund manager for review, as indicated by the obligation document number.

7.3.3. **Instruct the ordering office and/or fund holder to** record the transaction when the ordering office or command validates the transaction and authorizes the obligation action.

7.3.4. When the ordering office **determines that additional** research **is needed** to resolve costs billed, allow the ordering office from the date of disbursement up to the timeframes specified in paragraph **110501** to resolve and/or fund (obligate) the order/MIPR.

7.3.5. Refer the transaction to the disbursing office for additional information or correction when the ordering office cannot validate the transaction.

#### 7.4 Travel Orders (110704)

For travel orders, **the fund holder and** the accounting office (unless otherwise indicated) must:

7.4.1. Determine if a travel payment that results in a UMD transaction, identifies the traveler or is traceable to a separate travel system record.

7.4.2. Determine if the original obligation has been recorded in the accounting records when travel system records indicate closure of the travel order record with proper deduction of advances.

7.4.3. Record the amount of obligation (the initiating travel office) and record any UMDs (accounting office) when evidence shows that an obligation has not been recorded in the accounting system.

7.4.4. Request a copy of the travel settlement voucher from the disbursing office to support the transaction if travel system records do not indicate how a payment was used to liquidate a travel order record.

#### 7.5 Military Standard Requisitioning and Issue Procedures Requisitions (110705)

For MILSTRIP transactions, the accounting office must:

7.5.1. Review MILSTRIP transactions for discrepancy report and billing adjustment status. Submit billing adjustment requests, when required, **IAW** the **DLM 4000.25**, DLMS Volume 4. Any billing adjustment request must be submitted within one year of the billing date (two years for Foreign Military Sales).

7.5.2. Submit a follow-up request if a billing adjustment request previously has been made.

7.5.3. Accept the Military Standard Billing System transaction if a billing adjustment has not been requested and the time period has expired **IAW** the DLM 4000.25, DLMS Volume 4, Chapters 3 and 4.

## 7.6 Unidentified Document Numbers (110706)

For unidentified document numbers, the accounting office must:

7.6.1. Review the unmatched transaction for a disbursing office number and other data to ascertain the source of the obligation, e.g., the voucher number and code.

7.6.2. Refer the transaction to the disbursing office for verification and the furnishing of supporting documentation if there is a valid disbursing station number.

7.6.3. Refer the transaction to the applicable office or command if there is an indication of the source of the obligation, even though the transaction has no disbursing station number or the disbursing office cannot identify the transaction.

7.6.4. [Instruct](#) the disbursing office or obligating office [to record the transaction if the proper](#) obligation document [is](#) identified.

7.6.5. Record an obligation transaction when the obligating office can identify the obligation document, but there is no current open obligation.

## 7.7 Other Transactions (110707)

[Fund Holder and](#) Accounting Office Actions:

7.7.1. Review transactions to determine their purpose and nature, for example, supplemental payroll payment, express or other transportation services or hearing officer examination reporting services.

7.7.2. Request the disbursing office furnish missing documentation or any other material that would indicate the source of an obligation or basis for the payment when payment voucher support is missing or is incomplete.

7.7.3. Forward transactions to the funding office that have no matching accounting records but have an indication of an obligation, such as an order number. Include an explanation of the apparent nature and purpose of the expenditure; request research of the circumstances of the unrecorded obligation; and obtain support to show that the payment was not improper.

7.7.4. If there is no indication of an obligation, review the supporting documentation for any indication that the disbursement may have been incorrectly coded or other errors may have been made.

7.7.5. Record a transaction when it can be matched to a prior unliquidated obligation. If a transaction does not match, continue research efforts, including trying to identify erroneous document numbers.

## 8.0 REQUEST TO DISCONTINUE UMD/NULO RESEARCH (1108)

### 8.1 Research Decision (110801)

UMDs and NULOs may continue to be researched (notwithstanding the obligation of funds IAW section 1105). For transactions of \$2,500 or less, the decision to continue (or discontinue) research is at the discretion of the fund holder. For transactions over \$2,500, the Military Department Assistant Secretaries (FM&C) or Defense Agency Comptroller, may require the fund holder to continue research action. If continued research is required of the fund holder, written approval to discontinue research must be obtained from the Military Department Assistant Secretaries (FM&C) or Defense Agency Comptroller for transactions over \$2,500. However, once the required obligation or obligation adjustment has been recorded for a UMD or NULO, DFAS must discontinue reporting the UMD or NULO regardless of whether research efforts continue.

### 8.2 Minimum Criteria for Discontinuance (110802)

The following conditions describe the minimum criteria required to request an approval to discontinue research:

8.2.1. There is no indication that an overpayment or a duplicate payment has been made and not fully collected.

8.2.2. For contracts closed by DFAS:

8.2.2.1. A preclosing payment review has been completed.

8.2.2.2. The UMD or NULO conditions that cannot be resolved will not exceed the contract total if recorded.

8.2.3. An erroneous document number that neither the disbursing office nor the indicated obligating office can furnish information or support the disbursement.

8.2.4. A travel order where an unmatched transaction contains insufficient information for research and cannot be traced due to age.

8.2.5. Requests to discontinue further research efforts may be forwarded when the research steps listed in section 1107 cannot be completed because of missing or insufficient documentation, and steps to request or obtain the missing documentation or clarification of the insufficient documentation were taken as specified but have not produced results, and further efforts do not appear to be cost-effective.

8.2.6. The following information must be submitted with each request to discontinue research:

8.2.6.1. A separate report listing the individual transactions for each appropriation by responsible accounting office.

8.2.6.2. A summary of research efforts and other steps taken to obtain missing documents or additional support for insufficient documentation. At a minimum, the summary report must include statements advising that the following actions were taken:

8.2.6.2.1. When applicable, transaction histories of the respective accounting and payment systems were obtained, reviewed, and compared for omitted transactions and other differences.

8.2.6.2.2. For omitted documents or noted differences, a request to obtain the documents or other clarifying evidence was made to the appropriate funding or contracting office for obligation documents and payment office for payment supporting documents.

8.2.6.2.3. Information regarding the research accomplished, as reported by the office, that the request for documentation and supporting information could not be provided due to invalid document number references, lost or misfiled documents, or inadequate data for searching files.

8.2.6.2.4. Sufficient actions were taken during the research efforts to provide reasonable assurance that no duplicate payments or other overpayments remain outstanding and no fraud has occurred involving the disbursement transactions for which research efforts are requested to be discontinued.

### 8.3 Reporting Continued Research Efforts (110803)

After the research required by section 1107 is accomplished by the accounting office and the fund holder, and the researched UMDs and NULOs are properly resolved, and/or required obligations or obligation adjustments are recorded, further research or reporting of such UMDs or NULOs is not required. If a fund manager and/or the accounting office later identify the need for an additional adjustment or correction and provide the appropriate adjusting/correcting document, the appropriate adjustment/correction must be recorded.

## 9.0 CORRECTION/POSTING DISBURSEMENTS – APPROPRIATED FUNDS (1109)

### 9.1 General Requirements (110901)

This section provides general requirements for recording corrections of prior disbursements erroneously charged to the wrong obligation or otherwise erroneously posted. The requirements are stated in general terms in recognition of the numerous accounting systems, each of which has specific transaction identifiers and processing requirements. The requirements in this section apply to disbursement transactions that have been or should have been charged to direct appropriations.

## 9.2 Correction of Disbursement – Current/Expired Appropriation (110902)

This paragraph describes corrections of prior disbursements or posting errors when the correct obligation has been identified and the appropriation that should have been charged is an appropriation that is in a current or expired status.

9.2.1. To properly record a disbursement in an appropriation that should have been charged, adjust the records of the current or expired appropriation by taking one of the following two actions as appropriate:

9.2.1.1. If a disbursement exceeds a prior obligation (e.g., created a NULO), an adjustment to the prior obligation is required. Therefore, increase the amount of obligation previously recorded to eliminate the NULO.

9.2.1.2. If a disbursement was made, for which an obligation was not previously recorded or otherwise has not been identified, an obligation is required. Therefore, record an obligation and match the disbursement to the obligation.

9.2.2. To correct the improper charge to a current or expired appropriation that was charged previously in error, adjust the records of the appropriation by taking one of the following two actions:

9.2.2.1. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remains unmatched, record a recoupment reversing the prior disbursement.

9.2.2.2. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established IAW paragraph 110905, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

## 9.3 Correction of Disbursement – Closed Appropriation (Before Closure) (110903)

This paragraph describes the corrections of prior disbursements or posting errors when the correct obligation has been identified and the appropriation that should have been charged is a closed appropriation and the disbursement occurred before closure of the correct chargeable appropriation.

9.3.1. To reflect the charge properly to the closed appropriation that should have been charged initially (before it was closed), process a memorandum charge to the closed appropriation.

9.3.1.1. Adjust the records of the closed appropriation to reflect the previous disbursement by taking one of the following two actions, as appropriate:

9.3.1.1.1. If the correct detail obligation was recorded in the closed appropriation (prior to the closure of the appropriation), match the prior charge (disbursement) to

the appropriate prior obligation in the closed appropriation and reduce the unliquidated balance of the closed appropriation. (There **is** no change in the unobligated balance of the closed appropriation.)

9.3.1.1.2. If the correct detail obligation was not recorded in the closed appropriation (prior to the closure of the appropriation) or otherwise has not been identified, make a memorandum record of the disbursement and reduce the unobligated balance of the closed appropriation. (There **is** no change in the unliquidated obligation balance of the closed appropriation.)

9.3.1.2. If the adjustment (required by subparagraphs **110903.A.1.a or b**) would exceed the unexpended balance or unobligated balance of the closed appropriation, or any administrative subdivision thereof; or if upon reducing the unobligated balance **IAW** subparagraph **110903A.1.b**, the unobligated balance is exceeded at the ADA level of responsibility, report a potential ADA violation and initiate a preliminary investigation **IAW** Volume 14.

9.3.2. To reverse the erroneous charge: If the disbursement was erroneously charged to an appropriation that is now current or expired, perform the actions addressed in subparagraph **110903.B.1**. If the disbursement was erroneously charged to an appropriation that is now closed, perform the actions addressed in subparagraph **110903.B.2**.

9.3.2.1. To correct an improper charge to a current or expired appropriation that previously was charged in error, adjust the records of the current or expired appropriation by taking one of the following two actions, as appropriate:

9.3.2.1.1. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remained unmatched, record a recoupment reversing the prior disbursement.

9.3.2.1.2. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established **IAW** paragraph **110905**, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

9.3.2.2. To correct an improper charge to a closed appropriation that previously was charged in error, process a memorandum recoupment reversing the erroneous charge to the closed appropriation. Adjust the records of the closed appropriation to reflect the recoupment by taking one of the following two actions as appropriate:

9.3.2.2.1. If the recoupment applies to a disbursement that either was matched erroneously to the wrong obligation or remained unmatched (prior to the closure of the appropriation), record a memorandum recoupment to offset the disbursement and record an upward adjustment to increase the unliquidated obligation balance of the closed appropriation.

9.3.2.2.2. If the recoupment applies to a UMD, NULO, or in-transit disbursement for which the unobligated balance of the closed appropriation was reduced **IAW**



paragraph 110905, record the memorandum recoupment as an offset to the previous decrease in the unobligated balance and record an upward adjustment to increase the unobligated balance of the closed appropriation.

#### 9.4 Correction of Disbursement – Closed Appropriation (After Closure) (110904)

This paragraph describes corrections of prior disbursements or posting errors when the correct obligation has been identified and the appropriation that should have been charged is a closed appropriation and the disbursement occurred after closure of the correct chargeable appropriation.

9.4.1. Availability of Funds at Time of Original Disbursement. Disbursements occurring after the closure of an appropriation must be funded from a current appropriation available for the same purpose as the appropriation that is closed. This current appropriation is referred to in this chapter as the funding appropriation. The funding appropriation must be, or must have been available for incurring new obligations at the time of the disbursement.

9.4.1.1. When corrections involve disbursements that occurred after the closure of the correct appropriation, ensure that a correction is made to the funding appropriation in addition to the closed appropriation.

9.4.1.2. For example: To correct a disbursement that was charged erroneously to an appropriation that was expired at the time of the disbursement and should have been charged to an appropriation that was closed at the time of the disbursement, reduce the balance of the correct closed appropriation, and charge the funding appropriation that was current at the time of the disbursement.

9.4.2. Charge the Correct Funding Account. To correct the funding appropriation that was current at the time of the original disbursement and available for the same purpose as the closed appropriation (that otherwise would have been charged except that it was closed), adjust the records of the funding appropriation by taking the following action:

9.4.2.1. Establish an obligation in the funding appropriation and record the disbursement against the obligation.

9.4.2.2. If the adjustment exceeds either the unexpended balance or the unobligated balance of the funding appropriation, or any administrative subdivision thereof, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

9.4.3. Memorandum Charge to the Closed Account. To reflect the charge properly to the closed appropriation that should have been charged initially except that it was closed, process a memorandum charge to the closed appropriation.

9.4.3.1. Adjust the records of the closed appropriation by taking one of the following two actions, as appropriate:

9.4.3.1.1. If the correct detail obligation was recorded in the closed appropriation (prior to the closure of the appropriation), match the prior charge (disbursement) to the appropriate prior obligation in the closed appropriation and reduce the unliquidated balance of the closed appropriation. (There **is** no change in the unobligated balance of the closed appropriation.)

9.4.3.1.2. If the correct detail obligation was not recorded in the closed appropriation (before the closure of the appropriation), or otherwise has not been identified, make a memorandum record of the disbursement and reduce the unobligated balance of the closed appropriation. (There **is** no change in the unliquidated obligation balance of the closed appropriation.)

9.4.3.2. If the adjustment would exceed the unexpended balance or the unobligated balance of the closed appropriation, or any administrative subdivision thereof, report a potential ADA violation and initiate a preliminary investigation **IAW** Volume 14.

9.4.4. Reverse the Erroneous Charge. If the disbursement was erroneously charged to an appropriation that is now current or expired, take the actions addressed in subparagraph **110904.D.1** to reverse the erroneous charge. If the disbursement was erroneously charged to an appropriation that is now closed, take the actions addressed in subparagraph **110904.D.2** to reverse the erroneous charge.

9.4.4.1. To correct an improper charge to the current or expired appropriation that previously was charged in error, adjust the records of the current or expired appropriation by taking one of the following two actions:

9.4.4.1.1. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remained unmatched, record a recoupment reversing the prior disbursement.

9.4.4.1.2. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established **IAW** paragraph **110905**, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

9.4.4.2. To correct the improper charge to a closed appropriation that was previously charged in error, process a recoupment reversing the erroneous charge to the closed appropriation. Adjust the records of the closed appropriation by taking one of the following two actions, as appropriate:

9.4.4.2.1. If the recoupment applies to a disbursement that either was matched erroneously to the wrong obligation or remained unmatched in the accounting records (prior to the closure of the appropriation), record a memorandum recoupment offsetting the disbursement and increase the unliquidated obligation balance of the closed appropriation.

9.4.4.2.2. If the recoupment applies to a UMD, NULO, or in-transit disbursement for which the unobligated balance of the closed appropriation was reduced IAW paragraph 110905, record the memorandum recoupment as an offset to the previous decrease in the unobligated balance and increase the unobligated balance of the closed appropriation.

## 9.5 Posting Requirements – Unidentified Obligation (110905)

This paragraph describes the posting requirements when the correct obligation has not been identified within the specified timeframes (paragraphs 110501, 111401.B, 111404, and 111405). As stated in section 1104, obligations are to be established/adjusted, and/or unobligated balances reduced, as appropriate, for disbursements that have not been matched to the correct obligation.

### 9.5.1. Transactions in Closed Accounts

#### 9.5.1.1. Unmatched Disbursements

9.5.1.1.1. Charge the closed appropriation in which the UMD resides by reducing the unobligated balance. Unobligated balances may be reduced either at the detail (individual) transaction or summary level.

9.5.1.1.1.1. If using the summary method to charge the closed appropriation, the supporting summary memorandum for the unobligated balance adjustment must be substantiated by detail transaction listings of each UMD that comprises the summary total amount.

9.5.1.1.1.2. If using the detail-level to charge the closed appropriation, each UMD being cleared must record a memorandum for the unobligated balance adjustment in the accounting record.

9.5.1.1.2. Increase the unliquidated obligation balance of the closed appropriation by memorandum entry.

9.5.1.1.3. If, upon reducing the unobligated balance, the unobligated balance is exceeded at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

#### 9.5.1.2. Negative Unliquidated Obligations

9.5.1.2.1. Charge the closed appropriation in which the NULO resides by reducing the unobligated balance. Unobligated balances may be reduced either at the detail (individual) transaction or summary level.

9.5.1.2.1.1. If using the summary method to charge the closed appropriation, the supporting summary memorandum for unobligated balance adjustment must be substantiated by detail transaction listings of each NULO that comprises the summary total amount.

9.5.1.2.1.2. If **using** the detail-level **to charge the closed appropriation, each NULO being cleared must** record a memorandum **for the** unobligated balance adjustment in the accounting record.

9.5.1.2.2. Increase the unliquidated obligation balance of the closed appropriation by memorandum entry.

9.5.1.2.3. If, upon reducing the unobligated balance, the unobligated balance is exceeded at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation **IAW** Volume 14.

#### 9.5.1.3. In-Transit Disbursements

9.5.1.3.1. The unobligated balance of the cited closed appropriation must be reduced for overaged in-transit disbursements. Overaged in-transit disbursements must be charged in the same manner as **UMDs** as provided for in subparagraph **110905A.1**.

9.5.1.3.2. If a disbursement transaction identifies a specific fund holder, that fund holder must provide the supporting accounting office with a memorandum obligation document. If the funds holder did not hold funds for the fiscal year charged, or a fund holder was not identified in the transaction record, the appropriation manager must designate a specific fund holder to take those actions required in subparagraph **110905A.1**.

#### 9.5.2. Transactions in Current and Expired Accounts

##### 9.5.2.1. Unmatched Disbursements

9.5.2.1.1. The **fund holders must** charge the current or expired appropriation in which the UMD(s) resides by establishing a formal obligation for the UMD(s) in the appropriation. The impact should be a reduction of the unobligated balance. Obligations may be posted either at the detail (individual) transaction or summary level.

9.5.2.1.1.1. If the summary obligation method is used, such summary obligation amounts must be substantiated by detail transaction listings of each UMD making up the summary amount.

9.5.2.1.1.2. If posted at the document level, **the fund holders must**, record an obligation adjustment in the accounting records. Post the UMD being cleared against the adjusted obligation.

9.5.2.1.2. Increase the unliquidated obligation balance of the current or expired appropriation.

9.5.2.1.3. If, **upon the fund holders** recording the obligation, the obligated balance exceeds the funds available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation **IAW** Volume 14.

#### 9.5.2.2. Negative Unliquidated Obligations

9.5.2.2.1. The fund holders must charge the current or expired appropriation in which the NULO resides by establishing a formal obligation adjustment for the NULO in the appropriation. The impact should be a reduction of the unobligated balance. Obligations may be posted either at the detail (individual) transaction or summary level.

9.5.2.2.1.1. If using the summary obligation method to adjust the NULO, the summary obligation balance adjustment must be substantiated by detail transaction listings of each NULO that total summary amount.

9.5.2.2.1.2. If posted at the document detailed level, the fund holders must increase the amount of the previously recorded obligation that the NULO matches by recording an obligation adjustment in the accounting records.

9.5.2.2.2. Increase the unliquidated obligation balance of the current or expired appropriation.

9.5.2.2.3. If, upon recording the obligation adjustment, the obligated balance exceeds the funds available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

#### 9.5.2.3. In-Transit Disbursements

9.5.2.3.1. Obligations must be established by September 30 for all in-transit disbursement transactions in appropriations scheduled to close at the end of the current fiscal year. Obligations for unresolved in-transit disbursement transactions must be recorded in the same manner as UMDs as provided for in subparagraph 110905A.1.

9.5.2.3.2. If a disbursement transaction identifies a specific fund holder, that fund holder must provide the supporting accounting office with an obligation document. If the fund holder did not hold funds for the fiscal year charged, or if a fund holder was not identified in the transaction record, the appropriation manager must designate a specific fund holder to take those actions required in subparagraphs 110905A.1 and 2.

9.5.3. Continue Research Efforts. The requirement to establish obligations for unresolved overaged UMDs, NULOs, and in-transit disbursements may not eliminate the need to complete the research and post the disbursement to the correct obligation. If continued research is required of the fund holder, research efforts must be continued until approval to discontinue research is obtained IAW section 1108.

#### 9.6 Posting Requirements – Discontinued Research Approved (110906)

This paragraph describes posting requirements when required research is unsuccessful and discontinuance of further research is approved. The requirements addressed in paragraphs 110906.A – B must be applied when the actions in section 1107 have been completed and a request to discontinue further research has been submitted and approved IAW section 1108.

9.6.1. Approval Before the Expiration of the Specified Timeframes. If approval to discontinue further research occurs before the expiration of the timeframes specified in paragraphs 110501, 111401.B, 111404, and 111405; and amounts have not been obligated IAW the provisions of those paragraphs; obligations must be established by the fund holder IAW the provisions of those paragraphs for valid obligations incurred during the period of availability.

9.6.2. Approval After the Expiration of the Specified Timeframes. If approval to discontinue further research occurs after the expiration of the timeframes specified in paragraphs 110501, 111401.B, 111404, and 111405; and amounts have been obligated IAW the provisions of those paragraphs, no further obligation action is required.

## 10.0 CORRECTION/POSTING DISBURSEMENTS – WORKING CAPITAL FUNDS (1110)

### 10.1 General Requirements (111001)

Corrections and postings of disbursements in the Working Capital Funds (WCF) may require adjustments to both disbursements and expenses. This section cites general procedures for recording corrections of prior disbursements erroneously charged to the wrong obligation or otherwise erroneously posted. The procedures are stated in general terms in recognition of the numerous accounting systems, each of which has specific transaction identifiers and processing requirements.

### 10.2 Posting Requirements – Identified Obligation (111002)

Depending on the accounting system and access controls, fund holders may have to establish and adjust obligations. This paragraph describes corrections of prior disbursements or posting errors when the correct obligation has been identified.

10.2.1. To record a disbursement properly against an activity that should have been charged, adjust the records of the applicable activity by making one of the budgetary account adjustments as well as one of the propriety account adjustments.

#### 10.2.1.1. Budgetary Account Adjustments

10.2.1.1.1. If a disbursement exceeds a prior obligation (i.e., created a NULO), an adjustment to the prior obligation is required. Therefore, increase the obligation previously recorded. Once a NULO is created, the Component is responsible for compliance with subparagraph 111003.A.2.

10.2.1.1.2. If a disbursement was made for which an obligation was not recorded previously, or otherwise has not been identified, an obligation is required. Therefore, record an obligation and match the disbursement to the obligation.

#### 10.2.1.2. Proprietary Account Adjustments

10.2.1.2.1. If it has been demonstrated that the correct proprietary account was charged previously in the correct amount, no further proprietary account adjustment is required.

10.2.1.2.2. If the disbursement occurred in the current fiscal year, and the correct proprietary account and adjustment(s) amount is known, make the required proprietary account adjustment(s).

10.2.1.2.3. If the disbursement occurred in a prior fiscal year, and a real property or depreciable property proprietary asset account **must** be adjusted to charge the correct proprietary account properly in the correct amount, make the required proprietary account adjustment(s).

10.2.1.2.4. If the provisions of subparagraphs **111002.A.2.a – c** are not applicable, charge the “extraordinary loss” proprietary account in an amount that is equal to the amount of the obligation or obligation adjustment provided for in subparagraphs **111002.A.1.a or b**, as applicable. This extraordinary loss **must** be recorded in the fiscal year that is current at the time that the obligation or obligation adjustment addressed in subparagraphs **111002.A.1.a or b** is made, irrespective of when the disbursement occurred.

10.2.2. To correct the improper charge that was charged previously in error, adjust the records of the applicable activity by making one of the budgetary account adjustments addressed in subparagraph **111002.B.1** and one of the proprietary account adjustments addressed in subparagraph **111002.B.2**:

#### 10.2.2.1. Budget Account Adjustments

10.2.2.1.1. If a recoupment applies to a disbursement that either was matched erroneously to an obligation or remained unmatched, record a recoupment reversing the prior disbursement.

10.2.2.1.2. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established **IAW** paragraph **111003**, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

#### 10.2.2.2. Proprietary Account Adjustments

10.2.2.2.1. If it has been demonstrated that the correct proprietary account was charged previously in the correct amount, no further proprietary account adjustment(s) is required.



10.2.2.2.2. If the disbursement occurred in the current fiscal year, and the correct proprietary account and adjustment amount is known, make the required proprietary account adjustment(s).

10.2.2.2.3. If the disbursement occurred in a prior fiscal year, and a real property or depreciable property proprietary asset account was charged **in error** and now **must** be adjusted to relieve the **erroneous** charge, make the required proprietary account adjustment(s).

10.2.2.2.4. If the provisions of subparagraphs **111002.B.2.a – c** are not applicable, record an “extraordinary gain” in the proprietary account in an amount that is equal to the amount of the obligation/obligation adjustment provided for in subparagraphs **111002.B.1.a or b**, as applicable. This extraordinary gain **must** be recorded in the fiscal year that is current at the time that the obligation/obligation adjustment is made as addressed in subparagraphs **111002.B.1.a or b**, irrespective of when the disbursement occurred.

### 10.3 Posting Requirements – Unidentified Obligation (111003)

Depending on the accounting system and access controls, fund holders may have to **establish and adjust obligations**. This paragraph describes posting requirements when the correct obligation has not been identified within the timeframes specified in paragraphs **110501, 111401.B, 111404, and 111405**. Obligations or adjustments to obligations, as well as expenses, are to be established for disbursements that have not been matched to the correct obligation. These obligations or obligation adjustments and expenses are to be processed and recorded consistent with the requirements provided for in subparagraphs **111003.A.1.3**.

#### 10.3.1. Budget Account Adjustment

##### 10.3.1.1. Unmatched Disbursements

10.3.1.1.1. UMDs must be obligated and expensed against the WCF activity where the UMD resides. (If a UMD has not been identified to a specific activity, it must be so assigned.)

10.3.1.1.2. Charge the activity in which the UMD resides by establishing a formal obligation. Obligations may be posted either at the detail (individual) transaction or summary level.

10.3.1.1.2.1. If **using** the summary obligation method **to adjust the UMD**, the summary obligation **balance adjustment** must be substantiated by detail transaction listings of each UMD **combined in total that equal** the summary amount.

10.3.1.1.2.2. If posted at the document (**detail**) level, record an obligation adjustment in the accounting records. Post the UMD being cleared against the adjusted obligation.

10.3.1.1.3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

10.3.1.1.4. Record an extraordinary loss in the proprietary accounts in an amount equal to the amount of the UMD. This extraordinary loss **must** be recorded in the fiscal year that is current at the time that the obligation is made as addressed in subparagraph 111003.A.1, irrespective of when the disbursement occurred.

#### 10.3.1.2. Negative Unliquidated Obligations

10.3.1.2.1. NULOs must be obligated and expensed against the WCF activity where the NULOs reside.

10.3.1.2.2. Charge the activity in which the NULO resides by establishing a formal obligation adjustment. Obligations may be posted either at the detail (individual) transaction or summary level.

10.3.1.2.2.1. If **using** the summary obligation method **to adjust the NULO**, the summary obligation **balance adjustment** must be substantiated by detail transaction listings of each NULO **that total the** summary amount.

10.3.1.2.2.2. If posted at the document (**detail**) level, increase the amount of the previously recorded obligation that the NULO matches by recording an obligation adjustment in the accounting records.

10.3.1.2.3. If, upon recording the obligation adjustment, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

10.3.1.2.4. Record an extraordinary loss in the proprietary accounts in an amount equal to the amount of the NULO. This extraordinary loss **must** be recorded in the fiscal year that is current at the time that the adjustment is made as addressed in subparagraph 111003.A.2.b, irrespective of when the disbursement occurred.

#### 10.3.1.3. In-Transit Disbursements

10.3.1.3.1. In-transit disbursements must be obligated and expensed against the WCF activity in which the transaction resides. If an activity is not identified in the transaction record, the DoD Component involved must designate a specific activity.

10.3.1.3.2. In-transit disbursements must be charged in the same manner as UMDs. Charge the activity in which the in-transit disbursements reside by establishing a formal obligation.

10.3.1.3.3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

10.3.1.3.4. Record an extraordinary loss in the proprietary accounts in an amount equal to the amount of the in-transit disbursement. This extraordinary loss **must** be recorded in the fiscal year that is current at the time that the obligation is made as addressed in subparagraph 111003A.3.b, irrespective of when the disbursement occurred.

10.3.2. Proprietary Account Adjustments. Record an extraordinary gain in the proprietary account in an amount that is equal to the amount of the obligation or obligation adjustment provided for in subparagraphs 111003.A.1 – 3, as applicable. This extraordinary gain **must** be recorded in the fiscal year that is current at the time that the obligation or obligation adjustment is made as addressed in subparagraphs 111003.A.1 – 3, irrespective of when the disbursement occurred.

10.3.3. Continue Research Efforts. The requirement to obligate and expense UMD, NULOs, and in-transit disbursements that remain unmatched at the end of the timeframes specified in paragraphs 110501, 111401.B, 111404 and 111405 may not eliminate the need to complete the research and post the disbursement to the correct obligation. If continued research is required of the fund holder, then research efforts must be continued until approval to discontinue research is obtained IAW the requirements in section 1108.

#### 10.4 Posting Requirements – Discontinued Research Approved (111004)

Depending on the accounting system and access controls, fund holders may have to establish and adjust obligations. This paragraph describes posting requirements when required research is unsuccessful and discontinuance of further research is approved. The requirements addressed in paragraphs 111004.A and B must be applied when the actions in section 1107 have been completed and a request to discontinue further research has been submitted and approved IAW section 1108.

10.4.1. Approval Before the Expiration of the Specified Timeframes. If approval to discontinue further research occurs before the expiration of the timeframes specified in paragraphs 110501, 111401.B, 111404, and 111405 and amounts have not been obligated and expensed IAW the provisions of those paragraphs, obligations and expenses must be established IAW the provisions of those paragraphs.

10.4.2. Approval After the Expiration of the Specified Timeframes. If approval to discontinue further research occurs after the expiration of the timeframes specified in paragraphs 110501, 111401.B., 111404, and 111405, and amounts have been obligated and expensed IAW the provisions of those paragraphs, no further obligation or expense action is required.

## 11.0 CORRECTION/POSTING DISBURSEMENTS – FOREIGN MILITARY SALES TRUST FUND (1111)

### 11.1 General Requirements (111101)

Corrections and postings of disbursements in the Foreign Military Sales (FMS) Trust Fund may require adjustments both to disbursements and charges to FMS cases or FMS surcharge accounts. This section cites general procedures for recording corrections of prior disbursements erroneously charged to the wrong obligation or otherwise posted erroneously. The requirements are stated in general terms in recognition of the numerous accounting systems, each of which has specific transaction identifiers and processing requirements.

### 11.2 Special Notification Requirements (111102)

11.2.1. If the accounting office has not been able to resolve the transactions within the timeframes specified in paragraph 110501 after discovery of the UMD or NULO condition, the transactions must be forwarded to the fund holder for resolution. For FMS, both the Defense Security Cooperation Agency (DSCA) and the fund holder must be involved in the resolution. Notify the fund holder that he or she must fund the transaction if the transaction is not properly matched within the specified timeframes. If required, prepare a draft case modification for DSCA countersignature.

11.2.2. Due to FMS case management requirements, disbursements and disbursement adjustments involving FMS funds must be coordinated with DFAS. DFAS will establish notification and approval procedures.

### 11.3 Posting Requirements – Identified Obligation (111103)

This paragraph describes corrections of prior disbursements or posting errors when the correct obligation has been identified.

11.3.1. To record a disbursement properly that previously was charged erroneously, adjust the records of the FMS case or FMS surcharge account that should have been charged by taking one of the following two actions:

11.3.1.1. If a disbursement exceeds a prior obligation (i.e., resulting in a NULO), an adjustment to the prior obligation is required. Therefore, increase the obligation previously recorded and match the disbursement to the adjusted obligation. Once a NULO is created, the Component is responsible for compliance with subparagraph 111103.A.2.

11.3.1.2. If a disbursement was made for which an obligation was not recorded previously, correction action must be taken in order to record the obligation or obligation adjustment to match the disbursement.

11.3.1.3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

11.3.2. To correct an improper charge that was previously erroneously charged, adjust the records of the applicable FMS case or FMS surcharge account charged in error by taking one of the following two actions:

11.3.2.1. If a recoupment applies to a disbursement that was matched erroneously to an obligation, record a recoupment reversing the prior disbursement.

11.3.2.2. If the recoupment applies to a previous UMD, NULO, or in-transit disbursement for which an obligation or obligation adjustment was established IAW paragraph 111104, record the recoupment as an offset to the obligation or obligation adjustment and reverse the obligation or obligation adjustment.

#### 11.4 Posting Requirements – Unidentified Obligation (111104)

This paragraph describes posting requirements when the correct obligation has not been identified within the timeframes specified in paragraphs 110501, 111401.B, 111404, and 111405. Obligations or obligation adjustments must be established for disbursements that have not been matched to the correct obligation and processed and recorded consistent with the procedures provided for in subparagraphs 111104.A – D.

##### 11.4.1. Unmatched Disbursements

11.4.1.1. UMDs must be obligated against the FMS case or FMS surcharge account where the UMD resides. (If a UMD has not been identified to a specific FMS case or FMS surcharge account, it must be assigned to the FMS administrative surcharge account.)

11.4.1.2. Charge the FMS case or FMS surcharge account in which the UMD resides by establishing a formal obligation. Obligations may be posted either at the detail (individual) transaction or summary level.

11.4.1.2.1. If using the summary obligation method to adjust the UMD, the summary obligation balance adjustment must be substantiated by detail transaction listings of each UMD combined in total that equal the summary amount.

11.4.1.2.2. If posted at the document (detail) level, record an obligation adjustment in the accounting records. Post the UMD being cleared against the adjusted obligation.

11.4.1.3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation IAW Volume 14.

#### 11.4.2. Negative Unliquidated Obligations

11.4.2.1. NULOs must be obligated against the FMS case or FMS surcharge account where the NULOs reside.

11.4.2.2. Charge the FMS case or FMS surcharge account in which the NULO resides by establishing a formal obligation adjustment. Obligations may be posted either at the detail (individual) transaction or summary level.

11.4.2.2.1. If [using](#) the summary method [to charge the appropriation, the supporting](#) summary memorandum [for](#) unobligated balance adjustment must be substantiated by detail transaction listings of each NULO [that comprises the](#) summary [total](#) amount.

11.4.2.2.2. If posted at the document [\(detail\)](#) level, increase the amount of the previously recorded obligation that the NULO matches by recording an obligation adjustment in the accounting records.

11.4.2.3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available, at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation [IAW](#) Volume 14.

#### 11.4.3. In-Transit Disbursements

11.4.3.1. In-transit disbursements must be obligated against the FMS case or FMS surcharge account in which the transaction resides. If an FMS case or FMS surcharge account is not identified in the transaction record, it must be assigned to the FMS administrative surcharge account.

11.4.3.2. In-transit disbursements must be charged in the same manner as UMDs. Charge the FMS case or FMS surcharge account in which the in-transit disbursements reside by establishing a formal obligation.

11.4.3.3. If, upon recording the obligation, the obligated balance exceeds the budgetary resources available, at the level of ADA violation responsibility, report a potential ADA violation and initiate a preliminary investigation [IAW](#) Volume 14.

11.4.4. Continue Research Efforts. The requirement to obligate and expense UMD, NULOs, and disbursements in-transit that remain unmatched at the end of the specified timeframes specified may not eliminate the need to complete the research and post the disbursement to the correct obligation. If continued research is required of the fund holder, research efforts must be continued until approval to discontinue research is obtained [IAW](#) the procedures in section [1108](#).

## 11.5 Posting Requirements – Discontinued Research Approved (111105)

This paragraph describes posting requirements when required research is unsuccessful and discontinuance of further research is approved. The requirements addressed in paragraphs 111105.A and B must be applied when the actions in section 1107 have been completed and a request to discontinue further research has been submitted and approved IAW section 1108.

11.5.1. Approval Before the Expiration of the Specified Timeframes. If approval to discontinue further research occurs before the expiration of the timeframes discussed in paragraph 111104 and amounts have not been obligated and expensed IAW the provisions of that paragraph, obligations must be established IAW these provisions.

11.5.2. Approval After the Expiration of the Specified Timeframes. If approval to discontinue further research occurs after the expiration of the timeframes discussed in paragraph 111104 and amounts have been obligated and expensed IAW the provisions of that paragraph, no further obligation or expense action is required.

## 12.0 CORRECTIONS OF DISBURSEMENTS – MULTIPLE FUND TYPES (1112)

When correcting disbursement transactions that were erroneously charged to one fund type (e.g., appropriated fund) that should have been charged to another fund type (e.g., WCF or trust fund), apply the requirements for each fund type involved. For example, for a disbursement that was charged erroneously to an appropriated fund that should have been charged to a WCF, the recoupment to the appropriated fund **must** be processed IAW the applicable recoupment paragraph in section 1109, while the charge to the WCF should be processed IAW the applicable paragraph in section 1110.

## 13.0 CORRECTIONS REQUIRING NEW DISBURSEMENTS OR COLLECTIONS (1113)

### 13.1 General Requirements (111301)

When the correction requires a new disbursement or collection, process the corrective action IAW sections, 1109, 1110, 1111, or 1112, as applicable. If disbursement or collection does not involve a closed appropriation, process IAW the provisions of paragraph 111302. If the disbursement or collection involves a closed appropriation, process IAW paragraph 111303.

### 13.2 Current/Expired Appropriation or Working Capital/Trust Fund (111302)

For disbursements or collections that are chargeable to a current or expired appropriation, WCF, or trust fund:

13.2.1. Disbursement. When a new cash disbursement involves a current or expired appropriation, WCF, or trust fund, and a closed appropriation is not involved, process and record the disbursement IAW existing requirements for new disbursements for such accounts.



13.2.2. Collection. When a new cash collection involves a current or expired appropriation, WCF, or trust fund, and a closed account is not involved, process and record the collection IAW existing requirements for collections for such accounts.

### 13.3 Closed Appropriation (111303)

For disbursements or collections that are properly chargeable to a closed appropriation (except that the appropriation is closed):

13.3.1. Disbursement. When a new disbursement involves an amount that otherwise is properly chargeable to a closed appropriation except that the appropriation is closed, comply with the provisions of the closing accounts legislation (summarized in subparagraphs 110402.E – F).

13.3.1.1. Record and report the charge as a new obligation and a disbursement in a currently available appropriation that is available for the same purpose as the closed appropriation. If the obligation causes the cumulative one percent limit (identified in subparagraph 110402.F) to be exceeded, no disbursement can be made. The office funding the proposed payment (contract) must contact the appropriate Military Department Assistant Secretary (FM&C) or the Defense Agency Comptroller for referral to OUSD(C), P/B for appropriate disposition.

13.3.1.2. Adjust the records of the closed appropriation to reflect the new disbursement by taking one of the following two actions, as appropriate:

13.3.1.2.1. Reduce the unliquidated balance of the closed appropriation if the correct detail obligation was recorded in the closed appropriation prior to the closure of the appropriation. (There is no change in the unobligated balance of the closed appropriation.) Match the current charge (disbursement) to the appropriate prior obligation in the closed appropriation.

13.3.1.2.2. Make a memorandum record of the disbursement and reduce the unobligated balance of the closed appropriation if the correct detail obligation was not recorded in the closed appropriation prior to the closure of the appropriation. (There should be no change in the unliquidated obligation balance of the closed appropriation.)

13.3.1.3. The disbursement must not be issued if the adjustment required by subparagraphs 111303.A.2.a or b, would exceed the unexpended balance of the closed appropriation, or if reducing the unobligated balance IAW the provisions of subparagraph 111303.A.2.b, would result in a negative unobligated balance at the appropriation level.

13.3.1.4. If the disbursement is made, a potential ADA violation must be reported and a preliminary investigation initiated if the adjustments required by subparagraphs 111303.A.2.a or b (a) would not exceed the unexpended balance or the unobligated balance at the appropriation level, but (b) would exceed the unexpended balance or the unobligated balance of an administrative subdivision of the appropriation that has ADA violation responsibility.

13.3.2. Collection. When a new cash refund or other collection involves an amount that otherwise would be refunded or collected to a closed appropriation except that the appropriation is closed, comply with the provisions of the closing accounts legislation.

13.3.2.1. Deposit the collection to the Treasury miscellaneous receipt account.

13.3.2.2. Increase the unobligated or unliquidated balance of the closed appropriation, as appropriate, to reflect each refund or collection deposited into the Treasury account. Adjust the records of the closed appropriation to reflect the new refund or collection by taking one of the following two actions, as appropriate:

13.3.2.2.1. If the collection applies to an accounts receivable that had been established prior to the closure of the appropriation, record a memorandum collection offsetting the receivable and increase the unobligated balance of the closed appropriation.

13.3.2.2.2. If the collection applies to a disbursement that was not established as an account receivable prior to the closure of the appropriation, [comply with the provisions of subparagraph 111303.B.](#)

#### 14.0 PROCESSING IN-TRANSIT DISBURSEMENTS (1114)

##### 14.1 General Requirements (111401)

This paragraph addresses all in-transit disbursement transactions including interfund transactions and disbursements originating outside the Department.

14.1.1. All disbursements must be recorded and matched to their corresponding obligation records as promptly as current systems and business practices permit. Nevertheless, at any given time, a percentage of the Department's disbursements may be in-transit from the disbursing office or entitlement activity to the applicable accounting office. Disbursements are considered in-transit disbursements when they have been reported by the disbursing office, through a paying center to Treasury and charged against the Department's fund balances but:

14.1.1.1. Have not yet been received by the applicable accounting office;

14.1.1.2. Have been received by the applicable accounting office but not yet entered into the accounting office's database; or

14.1.1.3. It has been determined that there is insufficient information to process.

14.1.2. The following timeframes are applicable for processing and obligating in-transit disbursement transactions:

14.1.2.1. In-transit disbursements must be processed and resolved [IAW paragraphs 111404 – 111406.](#)

14.1.2.2. Obligations must be established and recorded for all unresolved in-transit disbursement transactions no later than September 30 of the year that the cited appropriation is scheduled to be closed, regardless of the age of the transaction.

14.1.2.3. In-transit disbursement transactions that cite closed accounts must be processed IAW paragraphs 111404 – 111406. However, obligations for all such in-transit disbursements must be established and recorded no later than September 30 each year (notwithstanding the applicability of the requirements in subparagraph 111401.B.1).

14.1.3. In-transit disbursements must be properly certified. A thorough certification process helps to reduce disbursements with invalid accounting lines and result in fewer unresolved in-transit disbursements. Additionally, certification requirements should help to prevent erroneous payments. Responsibilities for obligating and reporting erroneous payments are delineated in Volume 5, Chapter 6.

14.1.4. Reject procedures described in paragraphs 111404 and 111405 apply to all transactions except the following:

14.1.4.1. Transactions originating outside the DoD.

14.1.4.2. Suspected fraudulent transactions must be reported immediately to the Defense Criminal Investigative Service.

14.1.5. All transactions related to travel advances and settlements, pay entitlements, and FMS must be rejected IAW paragraphs 111404 and 111405.

## 14.2 Reasons In-Transits Occur (111402)

14.2.1. In-transit disbursements generally occur when a disbursing office or entitlement activity and the applicable accounting office do not share the same accounting record database. As a result, the disbursing office or entitlement activity must transmit disbursement transactions and supporting information to the appropriate accounting office. Supporting information may be electronic or hardcopy.

14.2.2. An unresolved in-transit disbursement occurs when a disbursement is not matched to the correct obligation because either: (1) it cannot be or has not been routed to the correct accounting office, or (2) the accounting office does not have sufficient information to process the in-transit disbursement.

14.2.3. Once the applicable accounting office has received, and has sufficient information to allow it to attempt to match the disbursement with an existing obligation in its database, the disbursement is no longer considered to be an in-transit disbursement. Rather, the disbursement is treated as a matched disbursement, a UMD (when an obligation record is not found), or a NULO (when an obligation record exists but the disbursement amount exceeds the amount of the recorded obligation). When UMDs and NULOs result, manual intervention must be taken to research, obligate, and record the disbursement IAW sections 1104 through 1107.

14.2.4. Processing an in-transit disbursement transaction may involve the interaction of an entitlement activity, a disbursing office, a paying center, an accounting center, or an accounting office. The primary responsibilities of these activities are found in paragraph 110201.

14.2.5. Accounting and disbursing activities are responsible for monitoring in-transit disbursement activity and ensuring compliance with established in-transit policies. Specifically, accounting and disbursing activities must monitor and provide oversight to ensure that in-transit disbursements are processed and obligated in a timely manner consistent with approved policies.

### 14.3 Required Documentation (111403)

14.3.1. The applicable disbursing office or entitlement activity must use either electronic or hard copy-based processes to provide detailed supporting documentation (supplemental information) to the applicable paying center, accounting center, or accounting office. If adequate detailed accounting data is transmitted electronically, it is not necessary to forward paper copies unless specifically requested for a particular transaction.

14.3.2. The applicable disbursing office or entitlement activity must ensure that each in-transit disbursement transaction is supported by documentation that identifies the disbursing office and/or entitlement activity, cycle number, voucher number, appropriation/fiscal year, sub-allocation holder identifier, amount, accounting office code, obligation document number, and other information that identifies the obligation, as applicable.

14.3.2.1. An in-transit disbursement must be rejected to the disbursing office (or applicable center) immediately if the documentation/information in support of the in-transit disbursement:

14.3.2.1.1. Identifies a departmental code or basic symbol of a Component not serviced by the applicable center.

14.3.2.1.2. Identifies funds (e.g., an allotment serial number) not serviced by the accounting office.

14.3.2.1.3. Reveals that an in-transit disbursement is fraudulent. (Additionally, the Defense Criminal Investigative Service must be notified immediately.)

14.3.2.2. Requests for additional documentation/information must be made when one or more of the following conditions exist:

14.3.2.2.1. Detailed data (electronic or otherwise) is illegible or garbled, out-of-balance, or lacks sufficient detail to process.

14.3.2.2.2. Hard copy or electronically transmitted detailed data contains an invalid accounting citation.

14.3.2.2.3. The transaction amount on the automated cross-disbursement register does not agree with the amount on the voucher and/or supporting documentation.

14.3.2.2.4. The amount of summary charges reported to Treasury does not equal the detail reported by the paying offices.

14.3.2.3. Generally, requests for additional supporting documentation must be made to enable the proper matching of obligations and disbursements and must be limited to the requirements delineated in subparagraph 111403.B.

14.3.2.4. Requests for supporting documentation/information must be dated and made in writing (or other documented form of communication).

14.3.2.5. Disbursing offices or entitlement activities and accounting offices must communicate with and transmit supporting documentation directly to each other to minimize in-transit disbursement resolution and processing time.

#### 14.4 Processing Cross-Disbursed In-transit Disbursements (111404)

Generally, a cross-disbursed in-transit disbursement transaction involves: (1) a disbursing office or entitlement activity, (2) a paying center, (3) an accounting center, and (4) an accounting office. Although paying and accounting centers monitor disbursement activity transmitted by entitlement activities and recorded by applicable accounting offices, disbursing offices or entitlement activities and accounting offices must communicate with and transmit supporting documentation (or supplemental information for electronic transmittals) directly to each other to minimize in-transit disbursement processing time.

14.4.1. If an accounting office cannot establish its accountability for the disbursement, the in-transit disbursement must immediately be rejected back to the accounting center

14.4.2. If an accounting office determines that there is sufficient information to properly record a disbursement, the accounting office must match the disbursement with its corresponding obligation and record the disbursement. However, the following conditions may occur:

14.4.2.1. If the applicable obligation is not in the accounting database, the disbursement must be recorded as a UMD. The UMD must be resolved IAW sections 1104 through 1107.

14.4.2.2. If the applicable obligation is in the accounting database, but the amount of the disbursement exceeds the amount of the recorded obligation, the disbursement must be recorded as a NULO. The NULO must be resolved IAW sections 1104 through 1107.

14.4.3. If the accounting office determines that there is not sufficient supporting documentation to allow the disbursement to be matched to an obligation, the accounting office must request supporting documentation.

14.4.3.1. Immediately upon receipt (electronic or otherwise) of sufficient documentation from the disbursing office or entitlement activity, the applicable accounting office must attempt to match the disbursement with its corresponding obligation and record the disbursement.

14.4.3.2. If supporting documentation is not received within 5 days after the request, the accounting office must reject the in-transit disbursement. Transactions must be recorded as a UMD and researched.

14.4.3.3. Contact the correct accounting center (or the responsible DO if applicable). Forward the disbursement to that office, and document the action. Upon making a determination that accountability for a disbursement transaction belongs to another accounting office or that supporting documentation will not be provided, an accounting office must reject the disbursement transaction to its accounting center.

#### 14.5 Additional Responsibilities for Resolving In-transit Disbursements (111405)

14.5.1. Ultimately, in-transit disbursements must be matched to an obligation by an accounting office or declared an erroneous payment by a disbursing office. IAW paragraphs 111404 and 111405, an in-transit disbursement transaction with supporting documentation must be transmitted to an accounting office as efficiently as feasible for recordation.

14.5.2. The following responsibilities apply for all in-transit disbursements:

14.5.2.1. Once an accounting office has sufficient supporting documentation (hard copy or electronic) to allow it to match an in-transit disbursement with an obligation, it must process the in-transit disbursement and treat it as a matched disbursement, UMD, or NULO. All UMDs and NULOs must be researched and obligated IAW sections 1103 through 1107.

14.5.2.2. If a disbursement is matched to a specific obligation, appropriation, funds holder or DoD Component; the accounting office, paying center, accounting center, disbursing office, or entitlement activity involved must work with the applicable office, center, funds holder and/or DoD Component to transfer the charge to the appropriate funds holder, appropriation manager or DoD Component (notwithstanding the actions required by subparagraph 111405.B.1). Any resulting UMD or NULO must be researched and obligated IAW sections 1103 through 1107.

14.5.3. DFAS Headquarters must monitor and maintain reports on all unprocessed in-transit disbursements, undistributed in-transit disbursements, or any other in-transit disbursements. Such reports must identify the applicable disbursing office, paying center, accounting center and accounting office, the amount, as well as appropriate corrective actions being taken. DFAS Headquarters also must ensure that in-transit disbursements are processed, resolved, obligated, or reported as erroneous payments IAW applicable provisions and within the applicable timeframes specified in this chapter.

## 15.0 REPORTING REQUIREMENTS (1115)

### 15.1 Data Collection Requirements (111501)

DFAS is responsible for collecting and consolidating data and reporting on the amounts and the status of UMDs, NULOs, and in-transit disbursements.

### 15.2 Monthly Reporting Requirements (111502)

The DoD Component accounting offices must transmit a status report identifying all disbursement transactions that have not been matched to an obligation to DFAS Headquarters on a monthly basis. DFAS will specify the format and detail reporting requirements.

## 16.0 RECORD RETENTION (1116)

DoD Components, and supporting accounting offices, must maintain an audit trail with adequate records to substantiate all transactions, amounts and actions taken with respect to the research and clearing of UMDs, NULOs, and in-transit disbursements. This includes, but is not limited to determinations that selected transactions meet the criteria for discontinuing further research, and detail and summary records of adjustments made [IAW](#) this chapter. Components must maintain these records to ensure an adequate audit trail and to respond to inquiries from organizations internal and external to the Department. See Volume 1, Chapter 9 for DoD policy on record retention.



**VOLUME 3, CHAPTER 12: POLICIES AND PROCEDURES GOVERNING THE USE  
OF THE “FEED AND FORAGE” AUTHORITY OF SECTION 3732, REVISED  
STATUTES (41 U.S.C. 11)”**

**SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also denoted by **blue font**.

Substantive revisions are denoted by an (\*) 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 **July 2010** is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
Overall	Date Refresh	Refresh
2.1 (120201)	Deleted “, above,	Deletion
2.3 (120203)	Added “-“ in over-obligation	Addition
2.4 (120204)	Added “-“ in over-obligations and adds “-“ in Anti-deficiency	Addition
	Deleted “above,	Deletion
2.5 (120205)	Added “-“ in over-obligation	Addition
2.5.2. (120205 B.)	Added “-“ in over-obligation	Addition
2.6 (120206)	Added “-“ in over-obligations	Addition
2.8 (120208)	Added a space in “USD (Comptroller).”	Addition

**Table of Contents**

VOLUME 3, CHAPTER 12: POLICIES AND PROCEDURES GOVERNING THE USE OF THE “FEED AND FORAGE” AUTHORITY OF SECTION 3732, REVISED STATUTES (41 U.S.C. 11) .....	1
1.0 OVERVIEW (1201) .....	3
1.1 Purpose (120101) .....	3
1.2 General (120102).....	3
2.0 POLICY AND PROCEDURES (1202) .....	3
2.1 Urgent Circumstance (120201) .....	3
2.2 Condition and Circumstance (120202) .....	4
2.3 Administering Funds (120203) .....	4
2.4 Over-obligation (120204).....	4
2.5 Valid Requirements (120205) .....	4
2.6 Certification of Over-obligation (120206) .....	4
2.7 Authorization (120207) .....	5
2.8 Reporting Procedures (120208) .....	5

## CHAPTER 12

### **POLICIES AND PROCEDURES GOVERNING THE USE OF THE “FEED AND FORAGE” AUTHORITY OF SECTION 3732, REVISED STATUTES (41 U.S.C. 11)**

#### 1.0 OVERVIEW (1201)

##### 1.1 Purpose (120101)

This chapter establishes departmental policy and basic procedures to be followed with respect to the use of the authority of Section 3732, Revised Statutes (41 U.S.C. 11). That statute authorizes the Military Departments to incur obligations for specific purposes in excess of appropriations available.

##### 1.2 General (120102)

1.2.1. Title 41, United States Code, section 11, authorizes the Military Departments to incur obligations in excess of available appropriations in procuring or furnishing clothing, subsistence, forage, fuel, quarters, transportation, or medical and hospital supplies not to exceed the necessities of the current fiscal year.

1.2.2. Title 10, United States Code, section 2204, requires the Secretary of Defense to approve scheduled rates of obligations of funds appropriated to the Department for the purpose of restricting obligations and expenditures as may be necessary to prevent overdrafts and deficiencies in any fiscal year for which appropriations are made. Section 2204 does not prohibit the Department from incurring a deficiency as separately authorized by law.

1.2.3. Volume 14 (which implements 31 U.S.C. 1517(a)) establishes the basic system of controls and other fundamental requirements for the administration of appropriations and funds. The system of administrative controls was designed to (1) restrict obligations and expenditures against appropriations and funds to the amounts available therein or to the amounts apportioned, and (2) enable officials to fix responsibility in the officers and employees of the Department who may violate any provision of the law or regulation.

#### 2.0 POLICY AND PROCEDURES (1202)

##### 2.1 Urgent Circumstance (120201)

The Department shall limit its use of the authority in 41 U.S.C. 11 to emergency circumstances. The exigencies of those circumstances must be such that immediate action is imperative and action cannot be delayed long enough to obtain sufficient funds to cover the procurement or furnishing of those items in paragraph 120102.A needed for the current fiscal year. In determining the urgency of the circumstances, due consideration shall be given in each specific case to the feasibility of obtaining funds by use of telephones, facsimile machines, or other electronic means. The authority of 41 U.S.C. 11 shall not be used to circumvent the provisions of 31 U.S.C. 1517(a).

## 2.2 Condition and Circumstance (120202)

It is not considered practicable to define specifically the conditions and circumstances which conceivably could constitute an emergency. Each instance in which the authority of 41 U.S.C. 11 is to be used must be determined on a case-by-case basis in accordance with the policy guidelines in this chapter.

## 2.3 Administering Funds (120203)

Funds shall be administered in accordance with the system of administrative controls established by Volume 14 of this Regulation in such a manner that officials, responsible for administering each appropriation, allocation, allotment, and other fund subdivisions, may take timely action to prevent [over-obligation](#) of any fund subdivision, notwithstanding 41 U.S.C. 11.

## 2.4 Over-obligation (120204)

[Over-obligation](#) of any appropriation or fund subject to apportionment, or any subdivision thereof for procurement or furnishing of those items in paragraph [120102.A](#), shall be deemed to be a violation of the [Anti-deficiency](#) Act. There are two exceptions: (a) If the over-obligation was made in emergency circumstances in accordance with the spirit and intent of provisions set forth above, and (b) if such procurements are not in excess of the necessities to relieve the period of emergency. However, for the second exception, the necessities for such period cannot exceed the necessities of the current fiscal year.

## 2.5 Valid Requirements (120205)

Proposed or anticipated use of 41 U.S.C. 11 authority to incur obligations shall be reported, in advance when feasible, through financial management channels. When it is necessary to create or authorize an [over-obligation](#) for the purposes set forth in 41 U.S.C. 11, the individual responsible shall determine, and so certify in writing, that all three of the following circumstances existed:

2.5.1. An emergency existed within the spirit and intent of this section [\(1202\)](#).

2.5.2. The purpose for which the [over-obligation](#) was created or authorized was to meet other necessities of the period involved.

2.5.3. It was not feasible to obtain in advance sufficient funds to cover such necessities.

## 2.6 Certification of Over-obligation (120206)

Such certification shall indicate the amount of the over-obligation and shall be filed with the supporting records of the appropriation, allocation, or allotment involved. The [over-obligation](#) shall be disclosed fully in the fiscal reports to the next higher level of command, indicating that the over-obligation was incurred under authority of 41 U.S.C. 11.

**2.7 Authorization (120207)**

Having exercised the authority of 41 U.S.C. 11 pursuant to this chapter, the individual responsible shall advise the next higher level of command immediately and take appropriate steps to obtain additional funds.

**2.8 Reporting Procedures (120208)**

All obligations incurred under authority of 41 U.S.C. 11 shall be reported through command channels to the applicable Military Department Comptrollers who shall provide a draft 41 U.S.C. 11(b) congressional report to the Office of [USD \(Comptroller\)](#).

**VOLUME 3, CHAPTER 13: “RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – DEPARTMENTAL-LEVEL”****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.

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

The previous version dated **February 2022** is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
All	Administrative changes including format changes, internet hyperlink additions and corrections, and minor clarifying language in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
1.3.6	Added Title 41, United States Code, section 6301, “Public Contracts.”	Addition
3.5.4.1	Added Below Threshold Reprogramming Action.	Addition
3.5.4.2	Added Prior Approval Reprogramming Action.	Addition

**Table of Contents**

VOLUME 3, CHAPTER 13: “RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – DEPARTMENTAL-LEVEL” .....	1
1.0 GENERAL.....	3
1.1 Overview .....	3
1.2 Purpose .....	3
1.3 Authoritative Guidance .....	3
2.0 DEFINITIONS .....	4
3.0 STANDARDS .....	4
3.1 Accounts .....	4
3.2 Appropriations.....	4
3.3 Apportionments and Reapportionments .....	8
3.4 Contract Authority – Other Budgetary Authorizations .....	9
3.5 Transfer of Funds .....	10
3.6 Reappropriations .....	12
3.7 Internal Fund Distributions .....	13
3.8 Withdrawals and Expired Balances.....	14
3.9 Indefinite Appropriations .....	14
4.0 OTHER ACCOUNT ADJUSTMENTS AND CLOSING .....	15
4.1 Account Adjustments .....	15
4.2 Budget Execution Report Preparation.....	15
4.3 Notification from Lower Levels.....	16
4.4 Account Closing .....	16



## CHAPTER 13

**RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES**  
**DEPARTMENTAL-LEVEL**

## 1.0 GENERAL

## 1.1 Overview

Some Department of Defense (DoD) Components, such as the Military Departments, structure themselves into three or more levels or echelons. The General Fund initially records direct appropriation budget authority at the departmental level (e.g., Headquarters) and then issues it to intermediate-level organizations (e.g., major commands), which distribute the budget authority to execution level (field level) organizations for program execution.

## 1.2 Purpose

This chapter prescribes the standards for recording how departments, headquarters, or the Office of the Secretary of Defense (OSD) receive and distribute budgetary resources. Departmental-level accounting includes Congress appropriating funds, the Office of Management and Budget (OMB) apportioning and reappportioning those funds and allotting them to the intermediate or execution level. Additionally, departmental-level budgetary accounts ensure that personnel properly record transfers between appropriation and fund accounts, as well as restorations and withdrawals of budgetary resources. This accounting also enables personnel to monitor lower levels and consolidate reports for higher levels. See ([Chapter 14](#), “Receipt and Distribution of Budgetary Resources – Intermediate-Level”), for intermediate-level requirements, and ([Chapter 15](#), “Receipt and Distribution of Budgetary Resources – Execution Level”), for execution-level requirements.

## 1.3 Authoritative Guidance

The financial management policy and related requirements prescribed in this chapter are in accordance with the applicable provisions of the following authoritative sources:

1.3.1. Title 31, United States Code, section 1304 “Judgments, awards, and compromise settlements,” ([31 U.S.C. § 1304](#)).

1.3.2. [31 U.S.C. § 1322](#), “Payments of unclaimed trust fund amounts and refund of amounts erroneously deposited.”

1.3.3. [31 U.S.C. §§ 1511 – 1517](#), “Appropriation Accounting.”

1.3.4. [31 U.S.C. § 1553](#), “Availability of appropriation accounts to pay obligations.”

1.3.5. [31 U.S.C. § 1555](#), “Closing of appropriation accounts available for indefinite periods.”

\* 1.3.6. [41 U.S.C. § 6301](#), “Authorization requirement.”

1.3.7. [OMB Circular A-11](#), “Preparation, Submission, and Execution of the Budget.”

1.3.8. The United States Department of Treasury Financial Manual, Volume 1, Part 2, Chapter 4700 ([1 TFM 2-4700](#)), “Federal Entity Reporting Requirements For The Financial Report Of The United States Government.”

## 2.0 DEFINITIONS

### 2.0.1. Departmental-Level

Involves recording receipt and distribution of budgetary resources at the department level, headquarters, or OSD level as discussed in this chapter.

### 2.0.2. Intermediate-Level

Personnel record the receipt and distribution of budgetary resources using the intermediate-level accounts discussed in Chapter 14. For example, a Major Command within a Military Department receives the initial funding.

### 2.0.3. Execution Level

Involves recording receipt and distribution of budgetary resources using the execution level budgetary accounts discussed in Chapter 15.

## 3.0 STANDARDS

### 3.1 Accounts

3.1.1. DoD Standard Chart of Accounts ([SCOA](#)) (see [Volume 1, Chapter 7](#), “Department of Defense Standard Chart of Accounts”), which includes the DoD Standard General Ledger accounts established for use at the department level.

3.1.2. [DoD U. S. Standard General Ledger \(USSGL\) Transaction Library](#), includes the budgetary and proprietary accounting entries established for use at the department level.

3.1.3. DoD Accounting Scenarios include two Internal Fund Distribution scenarios, “TI-097 General Funds” and “Military Department General Funds,” that identify the posting logic and appropriate accounts for recording the issuance and closure of budgetary resources at all three levels (Departmental, Intermediate and Execution).

### 3.2 Appropriations

3.2.1. Congress grants appropriations as legal authority to incur obligations and to make payments from the Treasury for specified purposes (see subparagraph 3.2.1.5 for an exception).

The most common form of budget authority is an appropriations act, which must expressly state the making of an appropriation; it cannot be inferred or implied. Various characteristics specific to periods of availability, phases of availability, and amounts determine the availability of appropriations for obligation.

3.2.1.1. Period of Availability. The period of time in which budget authority is available to incur new obligations. Congress establishes the period of availability.

3.2.1.1.1. One-Year (Annual) Authority. Budget authority that is available for obligation only during a specified fiscal year and expires at the end of that period. For example, most Operations and Maintenance (O&M) and Military Personnel appropriations.

3.2.1.1.2. Multiple Year (Multi-Year) Authority. Budget authority that is available for obligation for a specified period of time in excess of one fiscal year. Usually, the period covers two or more whole fiscal years, but it may cover a period that includes part of the second fiscal year. For example, Research, Development, Test, and Evaluation appropriations (2 years); Procurement appropriations (3 years); Shipbuilding and Conversion, Navy appropriation (5 years); Military construction appropriations (5 years).

3.2.1.1.3. Budget Authority that remains available for obligation indefinitely. See paragraph 3.9.

3.2.1.1.4. Congressionally Directed Spending. Congressionally directed spending occurs when Congress designates a portion of an appropriation for a particular purpose through legislative language within the appropriation.

3.2.1.2. Phases of Availability. Annual and multi-year appropriations pass through three phases of availability.

3.2.1.2.1. Current or Unexpired Phase. The current or unexpired phase is the time period when the budget authority is available for incurring new obligations, making new grants, signing new contracts, and making disbursements to liquidate the obligations. The current or unexpired phase continues for the set period of availability. No-year authority remains current until fully obligated and disbursed or returned to the general fund of the Treasury.

3.2.1.2.2. Expired Phase. During the expired phase, appropriations are no longer available for new obligations but remain available to adjust and liquidate existing and valid obligations. The expired phase lasts for 5 years, although legislation can extend this period. Refer to [Chapter 10](#), “Accounting Requirements for Expired and Closed Accounts” for accounting requirements for expired accounts.

3.2.1.2.3. Canceled Phase. The canceled phase follows the expired phase. You cannot make payments from a canceled appropriation. On September 30 of the fifth fiscal year after the period of availability for obligation ends for a fixed appropriation account, you must close the account and cancel any remaining balance (whether obligated or unobligated) in the account. After you cancel an appropriation, you may pay any obligations or adjustments to

obligations that would have been properly chargeable to that appropriation from an unexpired appropriation that is available for the same purpose as the canceled account if:

3.2.1.2.3.1. The obligation or obligation adjustment is not already chargeable to another unexpired account.

3.2.1.2.3.2. The payment of obligations against the canceled appropriation from the unexpired appropriation does not exceed an amount equal to one percent of the total appropriation per 31 U.S.C. § 1553. See Chapter 10 for accounting requirements for closed/canceled accounts.

3.2.1.3. Determination of Amount. Budget authority may be granted for varying amounts, based on the legislative language, which defines the purpose of budget authority.

3.2.1.3.1. Definite Authority. Authority that is stated as a specific sum at the time it is granted. This includes authority stated as not to exceed a specified amount. Most DoD appropriations are for definite amounts of authority.

3.2.1.3.2. Indefinite Authority. Authority for which a specific sum is not stated, and instead specifies a variable factor that determines the amount, or a floor, for example, not less than a specified amount. An indefinite appropriation may appropriate all or part of the receipts from certain sources, the specific amount of which is determinable only at some future date, or it may appropriate such sums as may be necessary for a given purpose. See paragraph 3.9.

3.2.1.4. Reappropriations. Statutory authorities that extend the availability, whether for the same or different purposes, of all or part of the unobligated portion of budget authority that has expired or would otherwise expire. See paragraph 3.6.

3.2.1.5. Exceptions. Appropriations to liquidate contract authority serve as exceptions to the general rule that appropriations provide budget authority for incurring additional obligations. Contract authority itself does not constitute an appropriation; rather, it represents apportioned budget authority that can be legally obligated and used solely for the specific purpose, time, and amount defined by the statute related to that contract authority. It remains unfunded and is apportioned and allocated without a corresponding Treasury cash balance. Agencies must always replace or liquidate contract authority using subsequent or other budgetary resources and cash balances, typically within the Defense Working Capital Fund (DWCF), by offsetting collections credited to the DWCF. Furthermore, the subsequent liquidating appropriation does not grant the authority to incur obligations and, therefore, does not qualify as budget authority. (See subparagraph 3.4.2 for additional information).

3.2.1.6. Continuing Resolution (CR). CRs are joint resolutions that provide continuing appropriations for a fiscal year. CRs are enacted when the Congress has not yet passed new appropriation bills and a program's appropriations are about to or have expired, or when the President has vetoed congressionally passed appropriations bills. CRs do not appropriate specific sums of money. A CR makes amounts available subject to the same terms and conditions specified in the enacted appropriations acts from the prior fiscal year. The CR may also establish additional

terms and conditions. CRs make amounts available for obligation only until a time specified by the CR or until regular fiscal year appropriations are enacted, whichever is sooner. See OMB Circular A-11, Section 123, for detailed information on requirements, definitions, and formulas for calculating amounts available.

3.2.1.7. Funding Lapse or Gap. A lapse in an agency's appropriations occurs when Congress fails to enact regular appropriations, a CR, or needed supplemental appropriations.

3.2.1.8. Appropriation Warrants. Congressional action provides evidence to fund programs. The Secretary of the Treasury issues an appropriation warrant, the official document that establishes the amount and period of availability of monies the agency is authorized to withdraw from the General Fund of the United States Government, upon the enactment of an appropriation.

3.2.1.8.1. Warrants are processed using the Agency Transaction Module (ATM) within the Central Accounting Reporting System ([CARS](#)). The ATM provides access for the Treasury to prepare and process warrant transactions. The Treasury processes warrants by submitting the FS Form 6200, "Department of the Treasury Appropriation Warrant," through the ATM within CARS. The agency must provide additional information when the legislative language does not allocate amounts to specific accounts.

3.2.1.8.2. Under a CR, Congress does not issue warrants until it enacts the regular appropriation bill unless agencies are under a long-term or full-year CR. Agencies can also receive warrants under a CR if it covers specific mandatory federal payments or when it covers the entire year (see [TFM Volume 1, Part 2, Chapter 2000](#)). The Military Departments and the Washington Headquarters Services (for OSD/Defense Agencies) must request a warrant from the Treasury for the annualized level of an amount appropriated by a CR. If a subsequent CR changes the annualized level, agencies must submit a new warrant request. When Congress enacts the regular appropriation bill, Treasury will adjust those amounts as necessary.

3.2.2. Classification of Appropriations. Departmental-level appropriations and all other budgetary resources must be classified by appropriation account, fiscal year program, and obligation/expenditure limitation at the level required by OSD for appropriation and fund status reporting (see [Volume 6A, Chapter 4, "Appropriation and Fund Status Reports"](#)). To obtain the necessary classification requirements, you must refer to the legal requirements and program/budget documents, such as the DD 1414, "Base for Reprogramming Action." Different purposes classify appropriations in various ways, generally based on time period limitations, spending limitations, authorized programs, activities, or objects, and the availability to incur obligations. An appropriation account symbol represents departmental-level appropriations and all other budgetary resources. You can find detailed information on reading and identifying account symbols in the [TFM, Volume 1, Part 2, Chapter 1500](#). Treasury lists specific accounts for each agency in its quarterly supplement to the TFM, titled "Federal Account Symbols and Titles."

3.2.3. Recording an Appropriation. Appropriations, until apportioned, are not available as a financing source or budgetary resource. They should be recognized in the capital as "unexpended

appropriations" (and among assets as "funds with Treasury") when made available for apportionment, even if a Treasury Warrant has not yet been received, or the amount has not been fully apportioned. Unexpended appropriations should be reduced for appropriations used and adjusted for other changes in budgetary resources, such as rescissions and transfers. The net increase or decrease in unexpended appropriations for the period should be recognized as a change in net position. See the [Federal Accounting Standards Advisory Board Handbook, Statement of Federal Financial Accounting Standards 7](#), "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting."

### 3.3 Apportionments and Reapportionments

3.3.1. An apportionment represents a plan approved by the OMB to allocate budgetary resources according to the statutory authority defined by 31 U.S.C. § 1513(b). This limits obligations for specified time periods, programs, activities, projects, objects, or any combination thereof. An apportionment is legally binding; thus, any obligations and expenditures (disbursements) that exceed it violate the Antideficiency Act (31 U.S.C. § 1517(a)(1), (b)) and require reporting. When changes are necessary for the previously approved apportionment for the current year, the responsible party should request a reapportionment. For instance, a reapportionment is appropriate when approved apportionments are no longer suitable due to increased amounts available for obligation or unforeseen events. The distribution of apportionments and reapportionments forms part of an overall financial plan for the year, which is based on a forecast of obligations to incur within an appropriation. The responsible department requests the apportioned amount using the OMB Standard Form (SF) 132, "Apportionment and Reapportionment Schedule," in accordance with OMB Circular A 11, Appendix F.

3.3.2. The SF 132 includes two general sections for recording apportionments and reapportionments: Budgetary Resources and Application of Budgetary Resources. In the Budgetary Resources section, you record the actual and anticipated resources, along with any actual and anticipated reductions to those resources. In the Application of Budgetary Resources section, you document the intended use of those resources, whether by fiscal quarter, activity, project, object, or a combination of these. In some cases, agencies use letter apportionments, which are most often applied during a CR or for special circumstances, such as transfers that occur near the end of a fiscal year.

3.3.3. Budgetary authority received and available for allotment, and anticipated reimbursements are also recorded on the SF 132. Apportioned, anticipated amounts should not be allotted unless there is a reasonable assurance that such items will be collected and deposited to the credit of the appropriation or fund account that incurred the obligation.

3.3.4. Apportionments cannot be obligated until the amounts have been allotted in accordance to the OMB-approved funds control regulations. You must apportion and execute programs in accordance with all applicable laws. The authorization and appropriation act language describes the purpose of the programs and provides guidance for execution. The apportionment dictates how you execute the programs, and you must obligate or expend it against the fiscal year in which you incurred the expenses to reconcile it with the legal period of availability. In some



cases, apportionments may set aside all or a portion of the amounts available for obligation by deferring them or withholding them pending rescission.

3.3.5. If the SF 132s on hand regarding the latest appropriations enacted have not yet been processed, the amounts must be recorded as it is necessary to cover valid commitments and obligations at the end of the accounting period as apportioned and allocated. Enacted supplemental appropriation as fully apportioned must be recorded, even if it is not included on the year-end SF 132.

3.3.6. In the absence of an appropriation, Congress can pass a resolution that authorizes agencies to continue their current operations. Agencies must adhere to OMB apportionment for CRs in the same way they do for appropriations. During periods of CR authority, the President's budget estimates of unobligated balances are carried forward on October 1, and each appropriation account's reimbursable program must be recorded as apportioned and allotted, provided it stays within any amount specifically designated by the authority. If the estimates for each amount decrease from the President's budget, agencies must record apportionments and allotments at the reduced amount. Agencies can consider increases available for subsequent apportionment, but they must not allot these increases until they receive an approved SF 132. Typically, OMB will automatically apportion funds made available by a CR without requiring an SF 132.

3.3.7. If actual amounts becoming available are less than anticipated for indefinite budget authority, agencies will deduct the difference from apportioned amounts rather than from deferred or unapportioned amounts, unless the approved apportionment form specifies a different treatment or agencies take reapportionment action. According to OMB Circular No. A-11 (Section 120), agencies do not need to reapportion downward adjustments of any amount to budgetary resources (including anticipated amounts) unless OMB specifically requires it or the agency chooses to do so. Agencies must request a reapportionment when approved apportionments are no longer appropriate or applicable due to increased amounts available for obligation or unforeseen events.

3.3.8. Not all appropriations receive apportionment. In such cases, agencies report the non-apportioned budgetary resources as either withheld pending rescission, deferred, as an unapportioned balance of a revolving fund, or exempt from apportionment.

#### 3.4 Contract Authority – Other Budgetary Authorizations

3.4.1. Congress finances federal programs and activities by providing budgetary authority, which allows agencies to enter into financial obligations that will result in immediate or future outlays of government funds. As defined by the Congressional Budget Act, budget authority includes other authorizations aside from appropriations, which are contract authority, borrowing authority, and spending authority from offsetting collections.

3.4.2. Contract authority allows an agency to incur obligations in advance of an appropriation. Congress grants contract authority through an authorizing statute, enabling agencies to incur obligations while anticipating the collection of receipts or offsetting collections that will be used to liquidate those obligations. Within the DoD, officials typically use revenue instead of an appropriation to liquidate unfunded contract authority. Contract authority can be



current or permanent, may have fiscal year limitations or not, and can be definite or indefinite in amount. According to 41 U.S.C. § 6301, an agency cannot make expenditures to liquidate obligations incurred through its contract authority until it specifically appropriates funds or those funds otherwise become available for payment of the obligations. Contract authority has a period of availability that corresponds to that of an appropriation. If it appears in an appropriation act without reference to a particular appropriation, its period of availability, unless specified otherwise, will align with the fiscal year covered by the appropriation act.

3.4.2.1. Definite. Definite contract authority represents the amount of new authority prescribed by law and effective during the reporting fiscal year. Authority is considered definite when the language provides a ceiling, that it is not to exceed a specified amount.

3.4.2.2. Indefinite. Indefinite contract authority represents the amount of new obligations incurred in the reporting fiscal year covered by contract authority. Indefinite contract authority is contract authority in which a specific amount of contract authority is not predetermined but is available as needed to cover the obligations incurred. Although indefinite contract authority is normally accounted for through a no-year appropriation account, contract authority must be apportioned each fiscal year.

3.4.2.3. Current. Current authority requires congressional appropriations action on the request for new budget authority for the year involved.

3.4.2.4. Permanent. Permanent authority becomes available pursuant to standing provisions of law without further appropriations action by Congress after transmittal of the budget for the year involved. Permanent indefinite authority is open-ended as to both period of availability and amount. Examples include 31 U.S.C. § 1304, Payment of Certain Judgments Against the United States, and 31 U.S.C. § 1322(b)(2), Refunding Amounts Erroneously Collected and Deposited in the Treasury. Guidance on emergency military procurement can be found in 41 U.S.C. § 6301 and the Federal Acquisition Regulation (also see [Volume 10](#), “Contract Payment Policy”). Working Capital Fund contract authority and guidance can be found in [Volume 10, Chapter 19](#), “Payment Provisions for Grants and Other Instruments of Assistance,” and foreign military sales contract authority can be found in [Volume 15](#), “Security Cooperation Policy”.

### 3.5 Transfer of Funds

When authorized by law, budgetary authority may be withdrawn from one appropriation account and credited to another, or to a working fund. Depending on the circumstances, the transfer may be recorded as an expenditure transfer, which means a transfer that involves an outlay, or as a nonexpenditure transfer, which means a transfer that doesn't involve an outlay. Transfers may be the result of planned reorganizations, the need for funding authorizations by Congress in lieu of appropriations, a situation where the purpose of the funding has changed, or when unobligated balances are the result of legislation that changed the purpose for which the balances are available. Transfers between appropriations must be authorized by law and represent a redistribution of unobligated balances of budget authority between appropriation accounts for the benefit of the gaining appropriation account.

3.5.1. Anticipated Transfers. Appropriation transfers can be anticipated and recorded as such or they can occur without being previously recorded as anticipated. An anticipated appropriation transfer does not provide any obligation authority. These transfers often are anticipated during apportionment development. Approved anticipated transfers are treated as authority available for apportionment, and prior-year authority and current-year authority are kept separate. An agreement between the transferring and receiving appropriation accounts must be maintained. Accordingly, anticipated and accomplished transfers must be recorded and reported in the transferring and receiving appropriation accounts in the same accounting period. Obligation authority is available only after the transfer is accomplished and OMB apportions the transferred funds. Once the transfer is accomplished, the appropriation making the transfer no longer has budgetary and proprietary control of the funds. Budgetary and proprietary responsibility now lies with the appropriation receiving the transfer.

3.5.2. Expenditure Transfers. Expenditure transfers are typically made when the transfer benefits the transferring account. An expenditure transfer is recorded as an obligation and an outlay in the transferring account and as an offsetting collection or offsetting receipt in the receiving account. An example of this type of transfer is a rental payment to the General Services Administration's Federal Buildings Fund. Since expenditure transfers are treated as payments and collections, they are not applicable to departmental-level accounting entities. These transactions include the following:

3.5.2.1. Withdrawals and credits between accounts are not specifically defined as nonexpenditure transactions.

3.5.2.2. All transfers between Treasury budgetary and nonbudgetary accounts such as general fund accounts and deposit accounts.

3.5.2.3. Adjustments to correct errors in expenditure transactions. Obligations must be transferred, when appropriate.

3.5.3. Nonexpenditure Transfers. A nonexpenditure transfer is recorded as a decrease in budget authority or unobligated balances in the transferring account and as an increase either in budgetary authority or unobligated balances in the gaining account. The transferring account for a nonexpenditure transfer reports a transfer out of budget authority. The receiving account reports a transfer in. Nonexpenditure transfers are processed using the ATM within CARS. Additional guidance on the CARS ATM application can be found in the TFM, Volume 1, Part 2, Chapter 2000. The SF 1151, Nonexpenditure Transfer Authorization, is used to document transfers. See [Chapter 3, "Appropriation Transfer Authorities"](#) for more detailed information about appropriation transfer authorities.

3.5.3.1. Estimates. A transfer of estimates is a proposal to stop funding an activity through one budget account and begin funding it through another account. It does not involve a transfer of budgetary resources between the accounts. This type of transfer typically relates to the transfer of funding of an activity from one account to another, the consolidation of funding for related activities from two or more accounts into one single account, or the separation of funding for an activity from one account between two or more accounts. When a transfer for the budget

year results in a significant increase to or decrease from the amount of budgetary authority for the past or current year, footnotes must be included to explain the transfer after the program and financing schedule.

3.5.3.2. Allocation. An allocation is a delegation, authorized by law, by one agency to another, of its authority to obligate budget authority and outlay funds. Allocation accounts involve both an appropriation and a recipient of budgetary resources, through an allocation nonexpenditure transfer.

3.5.4. Reprogramming. Reprogramming involves the shifting of funds for purposes other than those originally specified by Congress at the time of appropriation or to reclassify funds of proper execution of funds. There are two types of reprogramming actions:

\* 3.5.4.1. Below Threshold Reprogramming Action. This action provides the DoD Components with the flexibility to realign, within congressional prescribed limits/limitations, and approved funding to satisfy unfunded requirements. [Chapter 6](#), “Reprogramming of DoD Appropriated Funds” provides additional information on below-threshold reprogramming actions. [Chapter 7](#), “Reprogramming of Military Construction and Family Housing Appropriated Funds” provides additional information on below-threshold reprogramming of Military Construction and Family Housing funds.

\* 3.5.4.2. Above Threshold Reprogramming Actions. This action refers to the process of reallocating funds for programs or projects when established congressional approval thresholds or limitations are exceeded, requiring prior approval from specific congressional committees. In addition, the Department uses internal reprogramming actions to transfer funds from various accounts that Congress has established with its own special transfer authority (e.g., Environmental Restoration) or to realign/transfer funds for proper execution of a congressionally approved program. [Chapter 6](#), “Reprogramming of DoD Appropriated Funds” provides additional information on the different types of reprogramming actions. [Chapter 7](#), “Reprogramming of Military Construction and Family Housing Appropriated Funds” provides additional information on Military Construction prior approval of reprogramming actions.

### 3.6 Reappropriations

3.6.1. Reappropriation Action. Reappropriation is a congressional action to continue the availability, whether for the same or different purposes, of all or part of the unobligated portion of current budget authority that has expired or would otherwise expire.

3.6.2. Recording Reappropriations. Reappropriations of expired balances that are newly available for obligation in the current or budget year are recorded as new budget authority in the year they are newly available, in the full amount of the potential extension. Likewise, reappropriations of amounts that would expire before the legislation takes affect are treated as new budget authority. If the available balance in a losing appropriation is not sufficient to cover the transfer, the reappropriation may be delayed, effected in part or not made at all. Decisions to delay or not make a reappropriation transfer require written notification to the Under Secretary of

Defense (Comptroller), within five working days of the determination. The notification must set forth the circumstances requiring the delay or nonperformance of the reappropriation transfer.

3.6.3. Reappropriation Warrants. Reappropriations that provide funds to a fiscal year for which they were not previously available constitute new budget authority in the receiving account, and therefore require a Treasury Warrant. The warrant request letter must state the amount to be warranted and the statutory authority for the reappropriation. The TFM Volume 1, Part 2, Chapter 2000 identifies the address for submission and other contact information. Warrants are processed using the ATM within the CARS. Additional information on the ATM can be found on the Treasury, [CARS Frequently Asked Questions](#) site.

3.6.4. Reappropriation Balance Transfers. Entities report reappropriations of unexpired balances or reappropriations of expired balances that cannot take effect until a fiscal year beyond the budget year as balance transfers in the year they become newly available for obligation. The ATM within CARS processes reappropriation transfers.

3.6.5. Unobligated Balances. Normally, the organization withdraws unobligated balances in the losing accounts from operating activities. However, when the operating activity includes both the gaining and losing accounts, and the intent of the reappropriation is to extend the availability of funds for the same purposes as the losing account, the organization does not need to make a formal withdrawal. In this case, local entries can be made to ensure that transactions, records, and reports refer to the gaining account instead of the losing account.

### 3.7 Internal Fund Distributions

3.7.1. Apportionments are subdivided and formally distributed by allotment, suballotment, allocation, and suballocation. See [Volume 14, Chapter 1, “Administrative Control of Funds”](#) for detailed information on the subdivision levels and requirements in accordance with OMB Circular A-11, Appendix H. The departmental-level accounting entity distributes funds to an operating agency or other intermediate-level accounting entity.

3.7.2. Any formal subdivision of funds must contain at least the same statutory and other limitations applicable to the original apportionment.

3.7.3. The intermediate-level budgetary accounts record the receipt of suballotments, allocations, or suballocations from higher authority and then issue them to execution-level activities. The DoD SCOA prescribes the definitions and uses for accounts 454000 through 458000, which can be found on the Standard Financial Information Structure ([SFIS](#)) resources web page.

3.7.4. The formal distribution of funds must be in writing. See Volume 14, Chapter 1 for the required information; and expedited communication methods used in emergencies. The format is determined by the departmental-level accounting entity issuing the funds.

3.7.5. Interagency suballotments/allocations/suballocations distribute one agency's budgetary resources to another agency. The accounts separately identify these distributions to

ensure that the recipient agency responds to the issuing agency. These distributions can include nonexpenditure transfers, which establish transfer appropriation accounts, or subdivisions of one DoD Component's funds to another DoD Component for direct citation. From a consolidated standpoint, both the issuing and receiving agencies must record the distribution in the same accounting period. Typically, interagency distributions occur between different levels of command within a major command/claimant. Refer to Chapter 15 for execution level policy.

### 3.8 Withdrawals and Expired Balances

3.8.1. Administrative action withdraws unobligated amounts from obligation availability, rather than law. When a previously withdrawn unobligated amount becomes available for obligation and outlay again, we consider it a restoration. Withdrawals do not include amounts from expired accounts or amounts rescinded by Congress. Title 31 U.S.C § 1555 authorizes the withdrawal of funds only when an account closes, and it does not allow for the withdrawal of budget authority from open accounts.

3.8.2. Expired balances retain their fiscal year identity for the following five fiscal years. During this five-year period, agencies can use the unobligated balance of an expired fund only to adjust obligations that they initially incurred during the fiscal year (or years) for which the appropriation account was available. They cannot use the unobligated balance of an expired fund to create new obligations. Normally, at the end of the five-year period, agencies must transfer any remaining unobligated balance and unliquidated obligations to account 4350, *Canceled Authority*. They cannot restore canceled amounts.

3.8.3. The balance in account 465000, *Allotments – Expired Authority*, is not a fund balance (i.e., cash) account available in the Treasury. Transfers into the account (withdrawals) and transfers out (restorations) do not, in and of themselves, affect the cash position of the Treasury. Expired authority is an available budgetary resource for the specific purpose of ensuring that valid obligations of expired and lapsed appropriation accounts can be met without recourse to individual appropriation action by Congress. Other account transactions that are related to 465000 have corresponding proprietary transactions that impact 101000, *Fund Balance with Treasury*.

### 3.9 Indefinite Appropriations

3.9.1. Indefinite appropriations refer to appropriations of a current or permanent nature where a definite amount is not stated and will be determined based on stipulated subsequent events. One type of indefinite appropriation available for the Department is the collection of receipts. For instance, the receipts under the Federal Account Symbol and Title 5095.001, *Sale of Hunting and Fishing Permits, Military Reservations*, are permanently appropriated for the Army to spend under appropriation account 21X5095, *Wildlife Conservation, Military Reservations, Army*. The authorized amount may include all or a portion of the receipts from a receipt account, but these funds cannot be accessed until the Treasury issues a warrant, or the authorized amount may be specified as the amount obligated for a specific purpose.

3.9.2. Anticipated amounts of indefinite appropriations derived from available receipts must be reported as anticipated budgetary resources until the amounts are realized. The budget

authority generated will increase the uncommitted or unobligated balance reported on the SF 133, Report on Budget Execution (OMB Circular A-11, Appendix F). However, such balances should not be recorded in the accounts as currently available for obligation until receipts are realized.

#### 4.0 OTHER ACCOUNT ADJUSTMENTS AND CLOSING

##### 4.1 Account Adjustments

4.1.1. At the end of the availability period, all budget authority that remains undistributed to the execution level and all allotments received within the execution level that remain unobligated must be returned to the departmental-level for financial statement reporting. Specifically, the recipient of an allotment, suballotment, allocation, or suballocation must pre-close all unobligated funds using the accounting transactions detailed in Chapter 15 to return the funds to the previous and original fund holder. Similarly, the departmental-level must close the fund distribution accounts for allotments that remain undistributed and unobligated before performing post-closing accounting entries.

4.1.2. Cancel the anticipated appropriation transfers to or from other accounts by the end of the fiscal year in which they are expected.

4.1.3. Eliminate unrealized anticipated indefinite appropriations.

4.1.4. Cancel the anticipated reimbursements in no-year, expiring annual, and multi-year accounts by the end of the fiscal year.

4.1.5. Record the cancellation of expired authority and withdraw funds.

4.1.6. Reduce appropriations realized by the amount of budgetary resources withheld pursuant to public law.

4.1.7. The departmental-level (headquarters) must recognize an adjustment to undistributed allotments of realized transfers that remain at the intermediate-level and unobligated balances of realized transfers that remain at the execution level. This transaction reverses the accounts from the original issuance of budgetary authority. The intermediate and execution levels must notify the departmental-level accounting entity about the undistributed and unobligated funds, as described in paragraph 4.3. The DoD SCOA, located on the SFIS resources web page, prescribes the definitions and use for accounts 454000 through 458000.

##### 4.2 Budget Execution Report Preparation

After completion of the account adjustments identified in paragraph 4.1, budget execution reports must be prepared as specified in Volume 6A, Chapter 4.



#### 4.3 Notification from Lower Levels

The departmental-level accounting entity must be informed by the intermediate and execution levels of the following adjustments and account balances as specified in [Volume 6A, Chapter 2, “Financial Reports, Roles and Responsibilities”](#). Undistributed allotments of direct program authority (account 456000) and the direct unobligated balances remaining in expiring allotted funds (account 461000) at the intermediate and execution levels (Chapters 14 and 15, respectively) must be reversed and report them to the departmental-level for financial reporting.

#### 4.4 Account Closing

After the end-of-year reporting, the Treasury requires the accounting team to make post-closing entries to certain accounts. The team uses closing transactions to establish beginning balances for accounts that lack posting activity during the fiscal year and to zero out account balances that recorded current year activity. The DoD USSGL Transaction Library provides detailed descriptions of these entries, following the overarching guidance of the [USSGL Supplement to the TFM](#). The Headquarters/OSD Level must close the fund distribution accounts for any undistributed and unobligated allotments before the accounting team performs post-closing entries. You can find additional details on departmental-level transactions in the Accounting for Internal Funds Distribution; Interpretation Guidance for General Fund Appropriations.

4.4.1. Direct Funds. Record unobligated budget authority for unexpired annual or multi-year appropriations; close unobligated balances to expired authority; reduce appropriations realized by the amount of rescinded appropriations; close transfers accomplished to other appropriations or funds; and close appropriation transfers realized from other appropriations or funds.

4.4.2. Reimbursable Program. No closing entries must be made for the reimbursable program at the departmental-level. The adjusting entry is specified in paragraph 4.1.



**VOLUME 3, CHAPTER 14: “RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – INTERMEDIATE-LEVEL”****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 **December 2020** is archived.

<b>PARAGRAPH</b>	<b>EXPLANATION OF CHANGE/REVISION</b>	<b>PURPOSE</b>
All	Administrative updates in accordance with Department of Defense Financial Management Regulation (FMR) Revision Standard Operating Procedures.	Revision

## Table of Contents

VOLUME 3, CHAPTER 14: “RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – INTERMEDIATE-LEVEL ” .....	1
1.0 GENERAL.....	3
1.1 Overview .....	3
1.2 Purpose .....	3
1.3 Authoritative Guidance .....	3
2.0 DEFINITIONS .....	4
2.1 Department-Level.....	4
2.2 Intermediate-Level .....	4
2.3 Execution-Level .....	4
3.0 STANDARDS .....	4
3.1 Standard General Ledger Accounts and Transaction Entries.....	4
3.2 Internal Fund Distribution.....	4
3.3 Accounting Entry Examples.....	5
4.0 NOTIFICATION AND ACCOUNT CLOSING.....	5
4.1 Notification to Department-Level .....	5
4.2 Account Closing.....	5

## CHAPTER 14

**RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES**  
**INTERMEDIATE-LEVEL**

## 1.0 GENERAL

## 1.1 Overview

1.1.1. Some Department of Defense (DoD) Components, such as the Military Departments, are structured into three or more levels, or echelons. General Fund direct appropriation budget authority is initially recorded at the Department-level (e.g., Headquarters) and subsequently issued to intermediate-level organizations (e.g., major commands), which, in turn, distributes the authority to execution-level organizations (e.g., field level) for program execution.

1.1.2. Military Departments and DoD agencies composed of three or more levels must follow the chapter procedures to ensure internal fund distribution accounts roll up in the Defense Departmental Reporting System to the appropriate United States Standard General Ledger (USSGL) accounts, and accurately report the total and status of budgetary resources. This chapter provides an understanding of how intermediate budgetary and proprietary entries must be recorded from the time funds are issued until closed.

## 1.2 Purpose

1.2.1. This chapter prescribes the standards for recording the receipt and subsequent distribution of direct budgetary resources using the intermediate-level budgetary accounts. The budgetary general ledger record the receipt of fund distributions (e.g., allotments or suballotments) issued within the same Treasury Account Symbol from Department-level to intermediate-level organizations, and the subsequent issuance down to execution-level activities.

1.2.2. This chapter does not apply to a two-tiered structure such as Defense-wide appropriations issued from the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)), Program/Budget, to a Defense agency. Additionally, this chapter does not apply to reimbursable budget authority addressed in Volumes 11A and 11B.

## 1.3 Authoritative Guidance

The financial management policy and related requirements prescribed are in accordance with the applicable provisions of the following authoritative sources:

1.3.1. Title 31, United States Code, Section 1514 ([31 U.S.C. § 1514](#)), “Administrative division of apportionments”;

1.3.2. The Office of Management and Budget ([OMB Circular A-11](#)), “Preparation, Submission, and Execution of the Budget”; and

1.3.3. The United States Department of Treasury Financial Manual, Volume 1, Part 2, Chapter 4700 ([\*1 TFM 2-4700\*](#)), “Federal Entity Reporting Requirements For The Financial Report Of The United States Government.”

## 2.0 DEFINITIONS

### 2.1 Department-Level

Recording receipt and distribution of [direct](#) budgetary resources at the department-level, headquarters, or Office of the Secretary of Defense level as discussed in Chapter 13.

### 2.2 Intermediate-Level

Recording receipt and distribution of budgetary resources using the intermediate-level accounts. [See examples in sections 3.0 and 4.0.](#)

### 2.3 Execution-Level

Recording receipt and distribution of budgetary resources using the execution-level budgetary accounts discussed in Chapter 15.

## 3.0 STANDARDS

### 3.1 Standard General Ledger Accounts and Transaction Entries

The OUSD(C)/Office of the Chief Financial Officer maintains the [\*Standard Financial Information Structure\*](#) resources web page containing:

3.1.1. DoD Standard Chart of Accounts, which includes the DoD Standard General Ledger accounts established for use at the intermediate-level (see Volume 1, Chapter 7);

3.1.2. DoD USSGL Transaction Library [section](#) includes budgetary and proprietary accounting [transaction](#) entries, including [those](#) at the intermediate-level; and

3.1.3. DoD Accounting Scenarios include two Internal Fund Distribution scenarios, “TI-097 General Funds” and “Military Department General Funds,” that identify the posting logic and appropriate accounts for recording the issuance and closure of budgetary resources at all three levels (department, intermediate, and execution).

### 3.2 Internal Fund Distribution

3.2.1. OMB Circular A-11 defines the terms apportionment, allotments, suballotments, allowances, and allocations; [and](#) 31 U.S.C. § 1514(a) and [Circular A-11](#), Section 150 and Appendix H, require [a](#) system of funds control. Volume 14, Chapter 1 prescribes the DoD requirements for the administrative control of funds.

3.2.2. Any formal subdivision of funds must contain the same statutory and other limitations applicable to the original apportionment.

### 3.3 Accounting Entry Examples

3.3.1. To record direct budgetary authority received from the department-level by an intermediate-level Component(s), or activity thereof, and available for allotment to execution-level Component(s), or activities thereof, or suballotment to other intermediate-level Component(s), or activities thereof:

Budgetary Entry

Dr 455000 Internal Fund Distributions Received

Cr 456000 Funds Available for Allotment

Proprietary Entry

Dr 101000 Fund Balance With Treasury (FBwT)

Cr 310100 Unexpended Appropriations – Appropriations Received

3.3.2. To record direct budgetary authority either allotted by an intermediate-level Component(s) or activity thereof to an execution-level Component(s) or activity thereof, or suballotted between two or more intermediate-level Component(s), or activities thereof:

Budgetary Entry

Dr 456000 Funds Available for Allotment

Cr 457000 Allotments Issued

Proprietary Entry

Dr 310100 Unexpended Appropriations – Appropriations Received

Cr 101000 FBwT

## 4.0 NOTIFICATION AND ACCOUNT CLOSING

### 4.1 Notification to Department-Level

The intermediate-level accounting activity must notify the department-level accounting entity of direct program authority that is not distributed to the execution-level (account 456000, *Funds Available for Allotment*).

### 4.2 Account Closing

After preparation of the prescribed budget execution reports, the following entries must be made, at the expiration of the period of availability (PoA) for obligation, to close expended amounts to the authorizing account for the expenditures and to withdraw any remaining program authority.

4.2.1. To close budgetary authority within the intermediate-level upon expiration of the PoA where distributions were issued to the execution-level:

Budgetary Entry

Dr 457000 Allotments Issued

Cr 456000 Funds Available for Allotment

Proprietary Entry

Dr 101000 FBwT

Cr 310100 Unexpended Appropriation – Appropriations Received

4.2.2. To close internal fund distributions received in the intermediate-level that remains undistributed (withheld) upon expiration of the PoA:

Budgetary Entry

Dr 456000 Funds Available for Allotment

Cr 455000 Internal Fund Distributions Received

Proprietary Entry

Dr 310100 Unexpended Appropriation – Appropriations Received

Cr 101000 FBwT

4.2.3. To close direct budget authority issued through allotment or suballotment upon expiration of the PoA:

Budgetary Entry

Dr 457000 Allotments Issued

Cr 420100 Total Actual Resources – Collected

Proprietary Entry

None

4.2.4. To close internal fund distributions received at the intermediate-level upon expiration of the PoA:

Budgetary Entry

Dr 420100 Total Actual Resources – Collected

Cr 455000 Internal Funds Distribution Received

Proprietary Entry

None

**VOLUME 3, CHAPTER 15: “RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – EXECUTION LEVEL”****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 [February 2022](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative changes including format changes, internet hyperlink additions and corrections, and minor clarifying language in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
1.3.5	Updated reference to Deputy Chief Financial Officer memorandum, “Accounting for Internal Fund Distributions - Interpretation Guidance for General Fund Direct and Reimbursable Resources.”	Revision



**Table of Contents**

VOLUME 3, CHAPTER 15: “RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – EXECUTION LEVEL” .....	1
1.0 GENERAL.....	3
1.1 Overview .....	3
1.2 Purpose .....	3
1.3 Authoritative Guidance .....	3
2.0 DEFINITIONS .....	4
3.0 STANDARDS .....	4
3.1 Accounts .....	4
3.2 Requirements for Allotments Received .....	4
3.3 Commitments .....	5
3.4 Obligations .....	6
3.5 Reimbursements and Refunds.....	6
3.6 Borrowing Authority .....	9
3.7 Additional Guidance .....	10
4.0 ACCOUNT ADJUSTMENTS .....	10
4.1 Fiscal Year-End Adjustments to Appropriation Accounts.....	10
4.2 Adjustments to Expiring Accounts .....	11
4.3 Adjustments to Canceled Appropriation Accounts.....	11
4.4 Report Preparation and Closing .....	11
4.5 Expired and Canceled Accounts .....	12
4.6 Expired Authority .....	13
4.7 Canceled Authority .....	13

## CHAPTER 15

**RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES –  
EXECUTION LEVEL**

## 1.0 GENERAL

## 1.1 Overview

The execution level budgetary and proprietary accounts record the receipt of an allotment issued by a higher authority, such as the Office of the Secretary of Defense (OSD) or the Assistant Secretary of a Military Department (Financial Management and Comptroller). They also track the further distribution of funds, including the subdivision of the allotment (suballotment, allocation, or suballocation) between a major command and an execution-level activity or among execution-level activities.

## 1.2 Purpose

This chapter establishes standards for recording the receipt and subsequent distribution of budgetary resources during execution-level activities. It outlines the accounting standards for receiving and executing allotments, commitments, obligations, reimbursements, and borrowing authority. The accounting transactions discussed in this chapter often require a compound entry, meaning that entries must be made in both the budgetary and proprietary accounts. Refer to [Chapter 13](#), “Receipt and Distribution of Budgetary Resources – Departmental Level” for departmental-level requirements and [Chapter 14](#), “Receipt and Distribution of Budgetary Resources – Departmental Level” for intermediate-level requirements.

## 1.3 Authoritative Guidance

1.3.1. [Title 42, United States Code, section 3374](#) (42 U.S.C. §3374), “Acquisition of property at or near military bases which have been ordered to be closed and certain property owned by members of the Armed Forces, Department of Defense and United States Coast Guard civilian employees, and surviving spouses.”

1.3.2. Office of Management and Budget [\(OMB\) Circular A-11](#), “Preparation, Submission, and Execution of the Budget.”

1.3.3. United States Department of the Treasury (Treasury) [Treasury Financial Manual](#), (TFM).

1.3.4. TFM United States Standard General Ledger [\(USSGL\)](#).

\* 1.3.5. [Deputy Chief Financial Officer memorandum](#), “Accounting for Internal Fund Distributions - Interpretation Guidance for General Fund Direct and Reimbursable Resources,” dated March 23, 2023.

1.3.5.1. [Attachment 1](#), “GF Scenario – Internal Fund Distribution – TI-097.”

1.3.5.2. [Attachment 2](#), “GF Scenario – Internal Fund Distribution – MILDEPs.”

1.3.6. [DoD Directive 4165.50E](#), “Homeowners Assistance Program (HAP).”

## 2.0 DEFINITIONS

Unless otherwise noted, these terms and their definitions are for the purposes of this chapter.

2.0.1. [Departmental-Level](#). Involves recording receipt and distribution of budgetary resources at the department-level, headquarters, or OSD level, as discussed in Chapter 13.

2.0.2. [Intermediate-Level](#). Involves recording receipt and distribution of budgetary resources using the intermediate-level accounts, as discussed in Chapter 14. An example of the intermediate level would be a Command within a Military Department that has received the initial funding.

2.0.3. [Execution-Level](#). Involves recording receipt and distribution of budgetary resources using the execution-level budgetary accounts as discussed in this chapter.

## 3.0 STANDARDS

### 3.1 Accounts

3.1.1. DoD Standard Chart of Accounts ([SCOA](#)) (see [Volume 1, Chapter 7](#), “Department of Defense Standard Chart of Accounts”), which includes the DoD Standard General Ledger accounts established for use at the departmental level;

3.1.2. [DoD USSGL Transaction Library](#), which includes the budgetary and proprietary accounting entries established for enterprise reporting; and

3.1.3. DoD Accounting Scenarios, which include two Internal Fund Distribution scenarios, “TI-097 General Funds” and “Military Department General Funds,” that identify the posting logic and appropriate accounts for recording the issuance and closure of budgetary resources at all three levels (Departmental, Intermediate, and Execution).

### 3.2 Requirements for Allotments Received

3.2.1. The budgetary authority is distributed formally through allotment, suballotment, allocation, and suballocation. The OMB Circular A-11, Appendix H, defines these terms and establishes a specific subdivision hierarchy(see [Volume 14, Chapter 1](#), “Administrative Control of Funds”). These subdivisions allocate budget authority to execution-level accounting activities and authorize the incurrence of obligations within a specified amount. This chapter will use only the term allotment.

3.2.2. Any formal subdivision of funds must include at least the same statutory and other limitations that apply to the original apportionment.

3.2.3. Although an allotment document format is not prescribed, it must disclose specific classifications and limitations that the accounting records must track. For instance, an appropriation committee may specify that a certain amount has been added to an appropriation for a particular purpose. To ensure that the congressional intent is accomplished, the accounting entity that receives an allotted share of such budget authority must account for the share amount, as well as the obligations and expenditures.

3.2.4. The execution level must retain the same availability constraints for an allotment as OMB initially automatically apportioned.

### 3.3 Commitments

3.3.1. A person authorized to reserve funds, such as the official responsible for administrative control of funds for the affected subdivision of the appropriation, must sign a commitment document. This commitment represents an administrative reservation of allotted funds or other funds in anticipation of their obligation. Since an obligation equal to or less than the commitment can be incurred without further recourse to an authorizing official, some appropriations require commitments (see subparagraph 3.3.3) while others permit them. When recorded in the accounting records, a commitment reduces the allotment's available fund balance. This process helps ensure that the subsequent entry of an obligation does not exceed available funds.

3.3.2. [Chapter 8](#), “Standards for Recording and Reviewing Commitments and Obligations,” provides the detailed requirements for estimating and recording the amounts of commitments.

3.3.3. An agreement with OMB requires commitment accounting for Procurement, Military Construction, and Research, Development, Test, and Evaluation appropriation accounts. However, agencies do not need to record commitments for small purchases if they are not significant in the overall management of funds. Although commitment accounting is not mandatory for operation and maintenance appropriation accounts, revolving fund accounts, or military personnel appropriation accounts, agencies may choose to use it if it proves cost-effective.

3.3.4. A procurement program's approval generally does not allow for recording a commitment from an action document because specific actions are needed to reserve all or part of the funds allocated to the program. Programs can record the program approval as an initiation (see subparagraph 3.3.5). Additionally, programs usually cannot record a commitment from an order to commence procurement since such orders typically do not constitute firm reservations that permit recording an obligation without relying on the person authorized to reserve funds. Programs can record these orders as initiations.

3.3.5. Initiations enter memorandum accounts to ensure that precommitment actions, such as approved procurement programs and procurement orders, maintain the available subdivision of

funds. An initiation results in an administrative reservation of funds based on procurement orders, requests, or equivalent instruments. It authorizes preliminary negotiation of procurement actions but requires the responsible official for administrative control of funds to review the action before incurring the obligation. Since initiations do not form part of the official accounting requirements, allotment issuers or receivers who need initiation accounting must ensure that their procedures and practices are cost-effective.

3.3.6. Officials must close or cancel outstanding commitments by the end of the period when the appropriation is available for obligation. Commitments cannot be present in expired appropriation accounts.

### 3.4 Obligations

3.4.1. Obligations incurred represent the amounts of orders that organizations place, contracts they award, services they receive, and similar transactions that occur during an accounting period, which will require payment in the same or future periods. These amounts include payments for obligations that organizations did not previously record, adjustments for differences between previously recorded obligations, and actual payments made to liquidate those obligations.

3.4.2. The execution-level budgetary account structure requires that organizations segregate the amount of obligations incurred into undelivered orders unpaid, prepaid or advanced, and delivered orders unpaid or paid. The definitive final stage of obligations incurred is delivered orders paid, which must be recorded regardless of whether the preceding steps of ordering (undelivered order) and delivery (unpaid delivered orders) were recorded.

3.4.3. Entities issue undelivered orders as contracts or orders for goods and services when the liability has not yet accrued. These orders can be for any goods or services needed to fulfill a bona fide need of the issuing entity.

3.4.4. Organizations must report reductions or cancellations of prior year obligations in no-year and unexpired multiple year (multi-year) accounts specifically in budget execution reports (see [Volume 6A, Chapter 4, “Appropriations and Fund Status Reports”](#)).

3.4.5. Chapter 8 [outlines](#) the detailed requirements for determining and recording the amounts of obligations.

### 3.5 Reimbursements and Refunds

#### 3.5.1. Definition

3.5.1.1. Reimbursements represent collections that organizations earn by selling goods or services. Reimbursable obligations refer to those obligations financed by offsetting collections that an expenditure account credits in payment for the goods and services it provides. The law must authorize the collection to credit the specific appropriation or fund account. Within the DoD, the Under Secretary of Defense (Comptroller) authorizes reimbursable authority through

budget formulation and statutory authorization of the budget. With the exception of refunds and reimbursements, organizations deposit collections in the Treasury as miscellaneous receipts.

3.5.1.2. Refunds represent repayments of excess payments and credit the appropriation or fund account that was charged with the original obligation, as outlined in OMB Circular A-11, section 20.9. The amounts must directly relate to previously recorded obligations incurred and expenditures made against the appropriation, serving as reductions to those expenditures. When entities collect amounts from outside sources for payments made in error, overpayments, or adjustments for previously disbursed amounts, these are classified as refunds to appropriations. Any amounts exceeding the refund, such as interest and penalty charges collected in relation to refunds, must be deposited in the Treasury as miscellaneous receipts. Items returned to Defense Working Capital Fund (DWCF) supply activities from DWCF customers are classified as recoveries rather than refunds. For accounting policy on the disposition of interest, penalties, and administrative charges, refer to [Volume 4, Chapter 3, “Receivables.”](#) Additionally, consult [Volume 11A, “Reimbursable Operations Policy,”](#) [Volume 11B, “Reimbursable Operations Policy – Working Capital Funds \(WCF\),”](#) and [Volume 15, “Security Cooperation Policy”](#) for further policy requirements for reimbursements.

3.5.1.3. To record an obligation and an outlay in the current fiscal year for returned cash advances, other offsetting collections, or special or trust fund receipts received in a prior fiscal year, follow the guidelines in OMB Circular A-11, section 20.10.

3.5.1.4. In general, collections that lack an authorized reimbursable [authority](#) for DoD goods and services do not create budgetary resources. Except for refunds, agencies must deposit such collections in the Treasury as miscellaneous receipts unless a law authorizes the deposit to an appropriation or fund. Agencies may credit refunds related to the use of Government purchase and travel cards, as well as Government travel arranged by Government Contracted Travel Management Centers, to the Operation and Maintenance and Research, Development, Test, and Evaluation accounts that are current when they receive the refunds. [Volume 11A, Chapter 3, “Economy Act Orders”](#) and [Volume 11B, Chapter 3, “Defense Working Capital Fund – Budgetary Resources”](#) contain the general policy statements regarding work performed or materials provided between the DoD and other Federal agencies.

### 3.5.2. Anticipated Reimbursements

3.5.2.1. Anticipated reimbursements estimate the reimbursements that the organization expects to earn during the current fiscal year, subject to OMB apportionment, based on customer orders or services received or provided. The organization cannot use anticipated reimbursements as a source of obligational authority until it accepts a customer order, unless a statute specifically authorizes such use.

3.5.2.2. An allotted reimbursable [authority](#) does not give authority to incur obligations. [It](#) can only incur obligations after accepting a customer order. The [reimbursable authority](#) does not need to be specifically allotted. When the DoD Component responsible for the appropriation obtains written OMB approval, it can treat the apportionment, allotment, and allocation of the reimbursable [authority](#) as “automatic.” OMB approval depends on meeting the

criteria for automatic apportionment of reimbursements outlined in [Chapter 2](#), “Apportionment/Reapportionment and Funds Distribution.”

3.5.2.3. At the beginning of each fiscal year, agencies must record an allotment of anticipated reimbursable authority. For the predominantly used automatically apportioned reimbursable [authority](#) within the DoD, the performing activity must enter an estimate of the expected reimbursable [authority](#). In the case of a specifically apportioned reimbursable [authority](#), the performing agency must enter the exact amount specified in the allotment instrument. The performing activity may revise the estimate of automatically apportioned reimbursable authority, either upward or downward, at any time during the fiscal year to reflect the current estimate. However, the specifically apportioned reimbursable authority cannot be revised unless the performing agency requests and receives a revised allotment instrument. An allotment of anticipated reimbursable authority does not grant obligation authority; it only provides the authority to accept reimbursable orders. The accepted reimbursable order then provides the obligation authority. For information on specific types of customer orders, see subparagraph 3.5.3.2.

### 3.5.3. Customer Orders

3.5.3.1. Accepted customer orders establish obligational authority in a performing allotment. Unfilled customer orders represent the amounts of orders that other accounting entities within the United States (U.S.) Government has accepted [that](#) goods and services to be provided on a reimbursable basis. In the case of transactions with the public, these orders reflect the amounts collected in advance for which the accounting entity has not yet performed the requested services. On an exception basis, the public may submit orders that are received and accepted without payment in advance, but only when a statute specifically permits this. To accept a customer order, the performing accounting entity must agree in writing to perform the work for the requesting (customer) accounting entity. [Volume 11A, Chapter 1](#), “General Reimbursement Policy” and Volume 11B, Chapter 3 outline the written requirements used to document these requests and acceptances. An allotment of reimbursable authority, whether specific or automatic, grants authority for the reimbursable [authority](#) but does not establish obligational authority.

3.5.3.2. For reimbursable customer orders between Federal Government entities, when both the performing and ordering agencies use multi-year appropriation accounts, the agency that accepts the order from a multi-year appropriation account must record the obligational authority resulting from the order against its multi-year appropriation account with a corresponding period of availability. If the performing and ordering agency accounts have different periods of availability—such as when a performing agency uses its one-year Operations and Maintenance appropriation to fill an order funded by a customer’s multi-year appropriation account—the agencies must apply such reimbursable customer orders and their related transactions in accordance with OMB Circular A-11, section [130.21](#). In these cases, the performing agency must obtain authorization each fiscal year to execute the unobligated balance in the subsequent fiscal year. For guidance on Economy Act orders, refer to Volume 11A, Chapter 3.

3.5.3.3. For additional guidance on project orders between DoD entities, refer to [Volume 11A, Chapter 2](#), “Project Orders.”



3.5.3.4. For general guidance on non-Economy Act orders, refer to [Volume 11A, Chapter 18](#), “Non-Economy Act Orders.”

3.5.3.5. For additional guidance on orders placed with or through Defense Working Capital Fund activities, refer to Chapter 8, section 9.

#### 3.5.4. Unearned Revenue

Performing organizations recognize unearned revenue as the amount received in advance for the future delivery of goods, services, or other assets. To record reimbursable orders that are received and accepted with payment in advance, accountants must make a compound entry. They must record advance payments in both the budgetary accounts and proprietary accounts.

#### 3.5.5. Earned Reimbursements

3.5.5.1. An earned reimbursement is the amount recognized when a performing organization renders actual or constructive performance on a reimbursable order. Generally, it is at the point of recognition of a paid or unpaid delivered order that compound entries must be made to record the performance and earnings in both the budgetary accounts and in the proprietary accounts.

3.5.5.2. Generally, the cost elements outlined in Volume 11A, Chapter 3, and Volume 11B, Chapter 3 must be recovered through reimbursements. However, specific DoD issuances (e.g., directives or instructions) may authorize the establishment of other billing prices.

3.5.5.3. The accounting entity responsible for collection must account for reimbursements separately. They must maintain appropriate billing documents that indicate the specific property delivered or services rendered, along with quantities, dollar amounts, and references to each customer order.

3.5.5.4. Accountants must record and bill earned reimbursements promptly in the accounting period they are earned. See Volume 11A, Chapter 1 for information on reimbursement procedures and supporting documentation.

3.5.5.5. DoD accounting entities should generally collect funds without using checks by processing billing and collecting entries simultaneously in the disbursing officers' accounts. The requesting accounting entity must record its obligations according to the standards for recognizing obligations in Chapter 8.

3.5.6. [Proceeds from Articles Sold](#). For information on proceeds from articles sold, see [Volume 15, Chapter 7](#), “Pricing.”

### 3.6 Borrowing Authority

3.6.1. Borrowing authority allows an entity to incur obligations and make payments for specified purposes using borrowed money. The entity must establish this authority when acquiring

property subject to a mortgage and withdraw it upon paying the mortgage principal. When a buyer assumes the mortgage, the buyer disestablishes the borrowing authority.

3.6.2. The U.S. Government must include the amount of the mortgage balance payable in the accrued expenditures for acquiring homes subject to mortgages that it assumes. Buyers must include the amount of the mortgage balance payable in the accrued revenues for selling homes subject to mortgages that they assume. Sellers may sell homes subject to another loan covering all or part of the cash purchase price to the new buyer. In this case, the U.S. Government holds a second mortgage on the home, and the revenue from the sale includes this mortgage receivable.

3.6.3. The U.S. Government's assumption of a mortgage increases the borrowing account. Payments on the mortgage principal decrease the borrowing account. When a buyer assumes the mortgage balance, it decreases the borrowing account. The borrowing account is equal to the borrowing authority.

3.6.4. Officials must ensure that the total acquisition cost of the property and the mortgage assumed align with [Volume 6A, Chapter 3](#), “Reporting of Outlays, Receipts, and Adjusted Trial Balances.”

### 3.7 Additional Guidance

3.7.1. For policy guidance and information on the Homeowners Assistance Program, refer to DoD Directive 4165.50E and 42 U.S.C. §3374.

3.7.2. For policy guidance and information on foreign military indebtedness, refer to [Volume 16, Chapter 6](#), “Debt Owed to the DoD by Foreign Entities.”

3.7.3. For policy guidance and information on the military housing privatization program, refer to [Volume 2B, Chapter 6](#), “Military Construction/Family Housing Appropriations” and [Volume 6A, Chapter 9](#), “Accounting and Reporting for Operation and Maintenance of the Family Housing Program.”

## 4.0 ACCOUNT ADJUSTMENTS

### 4.1 Fiscal Year-End Adjustments to Appropriation Accounts

4.1.1. At fiscal year-end, DoD Components that receive appropriations must accurately state obligational authority and obligations based on the most current information available. To accomplish these fiscal year-end adjustments, they should take the following actions:

4.1.2. Review and validate the unfilled orders from the Economy Act and Non-Economy Act (see Volume 11A, Chapters 3 and 18, respectively). Cancel the orders funded from expiring accounts or the portions that will not be obligated by the fiscal year-end. Notify the ordering activities about the order reductions that affect their obligations and fund availability.

4.1.3. Review and validate unfilled project orders funded by expiring accounts. Cancel those orders that will not be started by January 1 of the ensuing fiscal year. Notify ordering activities of order reductions that affect their obligations and fund availability.

4.1.4. Review anticipated reimbursements to eliminate those for orders that Components do not accept.

4.1.5. Review the estimated obligations to identify possible overstatements or understatements.

4.1.6. Review obligations for goods and services ordered. Cancel orders or contracts for goods or services that are no longer needed or that are not likely to be delivered, and deobligate the appropriate amounts. A contract modification, or similar authorized contracting officer action, is required to deobligate these amounts, [refer to Chapter 8, paragraph 16.8](#).

#### 4.2 Adjustments to Expiring Accounts

4.2.1. Cancel outstanding commitments in expiring accounts. Officials must cancel outstanding commitments by the end of the period when an appropriation is available for obligation. Do not allow commitments in expired accounts. Refer to subparagraph 3.3.6 for instructions on recording transactions for commitments that remain unobligated after the period of availability expires.

4.2.2. Review completed customer orders to restore the obligational authority for the reimbursable [authority](#) that exceeded performance costs. Eliminate earned amounts that remain uncollected from the expiring appropriation account and establish them against the miscellaneous receipt account, where the future collection will be deposited.

4.2.3. Reduce the balances in *Unfilled Customer Orders Without Advance* and *Unfilled Customer Orders With Advance* to match the amount of valid remaining incomplete customer orders. Return any cash advances accepted for non-Federal customer orders that remain unused (i.e., no performance) by the end of the fiscal year.

4.2.4. Eliminate any remaining balance in *Anticipated Reimbursements and Other Income*.

#### 4.3 Adjustments to Canceled Appropriation Accounts

Upon canceling an appropriation, officials should cancel all obligations (undelivered orders and unpaid obligations) and uncollected reimbursements before making normal closing entries.

#### 4.4 Report Preparation and Closing

After adjustments are completed, officials must prepare budget execution reports as specified in Volume 6A, Chapter 4. Once reports are finished, officials close the obligational and reimbursable authority.

#### 4.5 Expired and Canceled Accounts

4.5.1. For 5 years after the time an appropriation expires for incurring new obligations, agencies can use both the obligated and unobligated balances of that appropriation to record, adjust, and liquidate obligations that are properly chargeable to that account.

4.5.2. On September 30 of the fifth fiscal year after an appropriation's period of availability for incurring new obligations expires, the obligated and unobligated balances of that appropriation must be canceled, making them no longer available for obligation or expenditure for any purpose.

4.5.3. If an appropriation is canceled and it becomes necessary to record an obligation or an adjustment to an obligation that would have been properly chargeable (both in purpose and amount) to the canceled appropriation, officials should charge the obligation to an appropriation currently available for the same purpose.

4.5.4. When a current appropriation pays an obligation that would have been properly charged (both in purpose and amount) to a canceled appropriation, the total of all such payments from that current appropriation cannot exceed the lesser of:

4.5.4.1. The unexpended balance of the canceled appropriation (the unexpended balance is the sum of the unobligated balance plus the unpaid obligations of an appropriation at the time of cancellation, adjusted for obligations and payments which are incurred or made after cancellation, and which would otherwise have been properly charged to the appropriation except for the cancellation of the appropriation); or

4.5.4.2. The unexpired unobligated balance of the currently available appropriation; or

4.5.4.3. One percent of the total original amount appropriated to the current appropriation **is** being charged.

4.5.4.3.1. For annual accounts, the applicable account has a one percent limitation on the annual appropriation, not on total budgetary resources (e.g., reimbursable authority).

4.5.4.3.2. For multi-year accounts, the total (multi-year) amount of the appropriation is subject to the one percent limitation.

4.5.4.3.3. For contract changes, charges made to currently available appropriations will not impact the one percent limitation rule. In other words, the charges to current appropriations for contract changes will not reduce the one percent of the currently available appropriation amount.

4.5.5. See [Chapter 10](#), "Accounting Requirements for Expired and Closed Accounts," for additional policies regarding expired and canceled accounts.

#### 4.6 Expired Authority

4.6.1. Accounting. Expired authority consists of (a) unobligated balances and (b) obligated but unliquidated balances that remain in appropriations no longer available for incurring new obligations. The balances become unavailable because the time for incurring such obligations has expired. Each fiscal year must maintain separate accounts for every expired fixed appropriation for 5 years after the appropriation's period of availability for obligation ends.

##### 4.6.2. Elimination of Unobligated Balances

4.6.2.1. Direct Authority. Organizations must close the unobligated budget authority of an expired appropriation to account 465000, *Allotments Expired Authority*, at the time of its expiration.

4.6.2.2. Reimbursable Authority. Closing entries eliminate the expended reimbursable authority. Additionally, organizations need to eliminate any unobligated reimbursable authority that exists at the time the receiving appropriation expires. Organizations must return unobligated reimbursable authority to the financing appropriation. Organizations must also request the obligation authority necessary to finance any subsequent upward obligation adjustments from that financing appropriation. For more information on multi-year reimbursable authority and cash advances from non-Federal sources, see subparagraphs 3.5.3.2 and 4.2.3, respectively.

4.6.3. Adjustments. During the 5 years following the appropriation's period of availability for obligation, DoD Components can adjust obligations upward and downward, and they can make disbursements from these expired appropriations. Before appropriation cancellation, expired authority allows a DoD Component to adjust previously under-recorded obligations upward or to record obligations that should have been recorded (but were not) against an expired appropriation.

#### 4.7 Canceled Authority

4.7.1. On September 30th of the fifth fiscal year after the period of availability for obligation ends, the agency must close the fixed appropriation account and cancel any remaining balance (whether obligated or unobligated) in the account. After cancellation, the account will not be available for obligation or expenditure for any purpose. The agency must continuously maintain the obligational status of the canceled account, even though no expenditures or collections may occur. Additionally, the agency must deposit any collections authorized or required to be credited to the appropriation account, but not received before the account closes, into the Treasury as miscellaneous receipts.

4.7.2. Accounting for Canceled Obligated and Unobligated Balances. When an appropriation is canceled, the entity must reclassify the balance in account 465000, *Allotments – Expired Authority*, as canceled authority and record it in account 435000, *Canceled Authority*. *Expenditures* from a current appropriation that apply to obligations incurred in a canceled appropriation will reduce the balance in account 435000.

4.7.3. Accounting for Collections Applicable to Closed Accounts. The entity must deposit any collections received after the cancellation of an account in Treasury as miscellaneous receipts.

4.7.4. Accounting for Expenditures Applicable to Canceled Appropriations. Entities must continuously maintain the status of direct program obligated and unobligated balances, as well as reimbursable authority obligated balances, even in a closed account. If the entity does not receive payments (cash collections) for obligations incurred in the reimbursable authority, it must cover those obligations with direct program unobligated authority that exists in the closed account.

4.7.4.1. To determine if sufficient direct program unobligated authority exists in the closed account, deduct all amounts that current appropriations charged, which would have otherwise been chargeable to the closed account in both purpose and amount, from the unobligated balance at the time of the cancellation, except when the account was canceled.

4.7.4.2. The current appropriation for obligations and payables of a canceled appropriation cannot exceed the lesser of (1) the unexpended balance of the canceled appropriation; (2) the unexpired unobligated balance of the currently available appropriation; or (3) one percent of the current appropriation being charged. Agencies must pay payables applicable to canceled appropriations from funds of subsequent appropriations that are available for the same general purpose as the canceled ones. Agencies cannot record liabilities on the books of a subsequent appropriation until (1) it receives valid bills for payment, and (2) it is certain that the payment will come from that subsequent appropriation. If such payments exceed the one percent limitation, the organization must seek additional authority from Congress (see Chapter 10). It is important to note that officials record the liability of a current account to pay an obligation of a canceled account only in the proprietary accounts of the current account, as described in this paragraph. However, officials must immediately record the obligation of a current account to pay, including upward obligation adjustments, in the budgetary accounts against the obligational authority of the canceled account that would have been available except for its cancellation.



**DEPARTMENT OF DEFENSE**

**FINANCIAL MANAGEMENT REGULATION**

**CHAPTER 16: "ARCHIVED"**

**UNDER SECRETARY OF DEFENSE  
(COMPTROLLER)**



## VOLUME 3, CHAPTER 17: “ACCOUNTING REQUIREMENTS FOR MILITARY CONSTRUCTION PROJECTS”

### 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 [June 2019](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Streamlined to remove duplications.	Revision
1.2 (170102)	Added new authoritative guidance.	Added
2.5.8. (170205.H)	Revised to include use of new forms and removal of the Military Interdepartmental Purchase Request.	Revision
2.6 (170206)	Revised to include Title 10, United States Code, section 2807 language.	Revision
3.3.3.1. (170303.C.1)	Revised to include updated policy memorandum.	Revision
4.3 (170403)	Revised to include use of new forms and removal of the Standard Form 1080, Voucher for Transfers Between Appropriations and/or Funds.	Revision
5.5 (170505)	Streamlined the section for easier readability.	Revision
Table 1-1	Updated with Fiscal Year 2021.	Revision

## Table of Contents

VOLUME 3, CHAPTER 17: “ACCOUNTING REQUIREMENTS FOR MILITARY CONSTRUCTION PROJECTS” .....	1
1.0 GENERAL (1701).....	4
1.1 Purpose (170101) .....	4
*1.2 Authoritative Guidance (170102).....	4
2.0 MILITARY CONSTRUCTION PROCESS (1702) .....	6
2.1 Definition (170201).....	6
2.2 Authorization Requests (170202).....	6
2.3 Authorization Guidance and Restrictions (170203).....	7
2.4 Appropriation Requests (170204) .....	7
*2.5 Obligation and Expenditure Restrictions (170205).....	8
*2.6 Planning and Design (170206) .....	11
2.8 Certifications of Costs (170208) .....	13
2.9 Project Files (170209) .....	14
3.0 CATEGORIES OF MILITARY CONSTRUCTION PROJECTS (1703).....	14
3.1 Specified Military Construction Projects (170301).....	14
3.2 Unspecified Minor Military Construction (170302) .....	15
3.3 Emergency and Contingency Construction (170303) .....	16
3.4 Environmental Response Actions (170304).....	19
3.5 Restoration or Replacement of Damaged or Destroyed Facilities (170305).....	20
3.6 Defense Access Roads (170306).....	21
3.7 Relocatable Buildings (170307).....	22
4.0 EFFORTS FINANCED BY MILITARY CONSTRUCTION APPROPRIATIONS (1704).....	23
4.1 Funded Costs (170401) .....	23
4.2 Overhead Expenses (170402).....	24
*4.3 Reimbursable Project Costs (170403).....	24
5.0 RELATED COSTS FINANCED BY OTHER THAN MILITARY CONSTRUCTION APPROPRIATIONS (1705).....	25
5.1 Unfunded Costs (170501) .....	25
5.2 Advance Planning (170502).....	25
5.3 Minor Construction (170503).....	26
5.4 Family Housing (170504) .....	26
*5.5 Equipment and Relocatable Items (170505) .....	27
5.6 Recycling Programs (170506).....	27

**Table of Contents (Continued)**

6.0	RECOGNITION AND REPORTING REQUIREMENTS (1706).....	28
6.1	Acceptance of Real Property (170601) .....	28
6.2	Accounting Recognition (170602) .....	28
6.3	Financial Reporting (170603) .....	29
APPENDIX A: PHASES OF MILITARY CONSTRUCTION .....		1
*TABLE 1. EVOLUTION OF A FISCAL YEAR 2021 MILITARY CONSTRUCTION PROJECT .....		4

## CHAPTER 17

**ACCOUNTING REQUIREMENTS FOR MILITARY CONSTRUCTION PROJECTS**

## 1.0 GENERAL (1701)

## 1.1 Purpose (170101)

This chapter identifies accounting requirements and legal authorities applicable to the construction of real property, including:

1.1.1. Costs to be charged to appropriations available for military construction (these costs are referred to as funded costs);

1.1.2. Costs that, although financed by appropriations or funds other than those available for a specific construction project, are to be capitalized as part of the real property investment (these are referred to as unfunded costs);

1.1.3. Preparation of accounting source documents required to support entries to real property accounts;

1.1.4. Obligation and expenditure restrictions and limitations for military construction projects; and

1.1.5. Various other related functions.

1.1.6. For policy relating to the construction of real property involving arrangements with host nations see the discussion of facilities and equipment outside the zone of the Interior (United States and Possessions) in Volume 4, Chapters 24 - 28.

## \*1.2 Authoritative Guidance (170102)

1.2.1. [Title 10, United States Code, section 2802 \(10 U.S.C. § 2802\)](#) authorizes the Secretary of Defense and Secretaries of the Military Departments to carry out military construction projects, land acquisitions, and defense access road projects. Typically, annual national defense authorization acts include military construction authorization acts. Congress has provided the Department permanent authority to carry out certain types of military construction projects. These standing authorities primarily are located within [10 U.S.C. Chapter 169](#), “Military Construction and Military Family Housing.” Chapter 169 includes:

1.2.1.1. [Subchapter I](#), Sections 2801 to 2815, “Military Construction;”

1.2.1.2. [Subchapter II](#), Sections 2821 to 2838, “Military Family Housing;”

1.2.1.3. [Subchapter III](#), Sections 2851 to 2869, “Administration of Military Construction and Military Family Housing;”

1.2.1.4. [Subchapter IV](#), Sections 2871 to 2886, “Alternative Authority for Acquisition and Improvement of Military Housing;” and

1.2.1.5. [Subchapter V](#), Sections 2890 to 2894, “Oversight of Landlords and Protections and Responsibilities of Tenants of Privatized Military Housing.”

1.2.2. [10 U.S.C. Chapter 1803](#), “Facilities for Reserve Components.”

1.2.3. Additional U.S.C. requirements prescribed in this chapter.

1.2.3.1. [10 U.S.C. § 480](#), “Reports to Congress: Submission in Electronic Form;”

1.2.3.2. [10 U.S.C. Chapter 160](#), “Environmental Restoration;”

1.2.3.3. [10 U.S.C. § 2577](#), “Disposal of Recyclable Materials;”

1.2.3.4. [10 U.S.C. § 2667](#), “Leases: Non-excess Property of Military Departments and Defense Agencies;”

1.2.3.5. [10 U.S.C. § 2668](#), “Easements for Rights-of-Way;”

1.2.3.6. [10 U.S.C. § 2703](#), “Environmental Restoration Accounts;”

1.2.3.7. [10 U.S.C. § 2707](#), “Environmental Restoration Projects for Environmental Responses;”

1.2.3.8. [10 U.S.C. § 7540](#), “Architectural and Engineering Services;”

1.2.3.9. [10 U.S.C. § 8612](#), “Employment of Outside Architects and Engineers;”

1.2.3.10. [10 U.S.C. § 9540](#), “Architectural and Engineering Services;”

1.2.3.11. [10 U.S.C. § 18233](#), “Acquisition;”

1.2.3.12. [10 U.S.C. § 18233a](#), “Notice and Wait Requirements for Certain Projects;”

1.2.3.13. [23 U.S.C. § 210](#), “Defense Access Roads;”

1.2.3.14. [42 U.S.C. Chapter 103](#), “Comprehensive Environmental Response, Compensation, and Liability;” and

1.2.3.15. [50 U.S.C. Chapter 34](#), “National Emergencies Act.”

1.2.4. Additionally, the accounting policy and related requirements prescribed by this chapter are in accordance with the applicable provisions and are identified.

1.2.4.1. The United States Standard General Ledger ([USSGL](#)), Treasury Financial Manual, the Standard Financial Information System ([SEIS Transaction Library](#)), and the Department of Defense (DoD) Standard Chart of Accounts;

1.2.4.2. Title 23, Code of Federal Regulations ([CFR, Part 660, Subpart E](#), “Defense Access Roads;”

1.2.4.3. DoD Directive ([DoDD 3025.18](#), “Defense Support of Civil Authorities;”

1.2.4.4. [DoDD 4270.5](#), “Military Construction;”

1.2.4.5. DoD Instruction ([DoDI 4000.19](#), “Support Agreements;”

1.2.4.6. [DoDI 4165.56](#), “Relocatable Buildings;” and

1.2.4.7. United Facilities Criteria ([UFC 1-300-08](#), “Criteria for Transfer and Acceptance of DoD Real Property.”

## 2.0 MILITARY CONSTRUCTION PROCESS (1702)

### 2.1 Definition (170201)

Military construction is any construction, development, conversion, or extension of any kind carried out with respect to a military installation, whether to satisfy temporary or permanent requirements, or any acquisition of land or construction of a defense access road. A military construction project includes all military construction work necessary to produce a complete and usable facility or a complete and usable improvement to an existing facility (or to produce such portion of a complete and usable facility or improvement as is specifically authorized by law). The authority to carry out military construction includes authority for (1) surveys and site preparation; (2) acquisition, conversion, rehabilitation, and installation of facilities; (3) acquisition and installation of equipment and appurtenances integral to the project; (4) acquisition and installation of supporting facilities (including utilities) and appurtenances incident to the project; and (5) planning, supervision, administration, and overhead incident to the project.

### 2.2 Authorization Requests (170202)

2.2.1. Each year an annual or biennial request for major construction projects and programs is submitted to the Congress. Requests presented are reviewed, adjusted, and approved through established command and staff channels, including the Office of the Secretary of Defense (OSD) and the Office of Management and Budget (OMB) before submission to the Congress for authorization. The Assistant Secretary of Defense for Energy, Installations and Environment (ASD(Sustainment)) in conjunction with the Office of the Under Secretary of Defense (Comptroller) (OUSD(C)) provides guidance for submitting military construction projects for authorization.

2.2.2. Requests for authorization are confined to projects reasonably expected to be executed within the fiscal year requested.

2.2.3. Authorization requests for major construction projects must be supported by data on proposed physical capacity or other physical measurements, as well as data on estimated costs. Generally, the data for such projects must be arranged by state and/or installation. These data must be accompanied with comparative data on the existing real property inventory and projects expected to be subject to future authorization requests. Related data with respect to approved missions and proposed forces should also be provided. In addition, programs should be evaluated with respect to that portion of a project subject to request for immediate authorization and that portion deferred for future authorization requests.

### 2.3 Authorization Guidance and Restrictions (170203)

2.3.1. Each Act of Congress that provides authorization for work performed under major construction programs generally contains a limitation on total costs for work undertaken for each installation as a whole, for emergency construction work on a Department- wide basis and, in some cases for a type or category of construction. In certain circumstances, overruns, within stated percentages, may be authorized with respect to individual cost limitations, provided the total amount authorized for any appropriation is not exceeded.

2.3.2. Specific authorization in a military construction authorization act is required for work performed under major construction programs unless the project is carried out under one of the authorities provided by: 10 U.S.C. §§ 2667-2668, 2803-2805, 2808, 2854, 18233 and other authorities to carry out a project not otherwise specifically authorized.

2.3.3. A Military Department may not carry out a minor military construction project expected to exceed the statutory limits provided in 10 U.S.C. § 2805 without specific Congressional authorization and approval. See subparagraph **170302.C**.

2.3.4. 10 U.S.C. § 2802 provides authority to carry out a military construction project. See paragraph **170201**.

### 2.4 Appropriation Requests (170204)

2.4.1. Military Construction Projects. Appropriation requests in support of all new military construction projects are submitted to the Congress annually or biennially, as required. Military construction appropriations generally are available for obligation for five fiscal years. Such appropriation requests are consistent with existing authorizations, authorization requests, or other requests for funds, as applicable, and include specific budget estimates for those projects for which legislative authorization has been, or is being, requested.

2.4.2. Military Family Housing. Individual projects must be authorized and appropriated in accordance with 10 U.S.C. Chapter 169, Subchapter II.



2.4.3. Reprogramming. Adjustments may be made as necessary to finance completion cost of:

2.4.3.1. Projects previously approved and started,

2.4.3.2. Projects expected to be started during the current fiscal year, and

2.4.3.3. Other project costs that represent valid unfinanced requirements for the budget year.

2.4.4. Reprogramming Amounts. All reprogramming amounts requested must be consistent with amounts appropriated for specified military construction projects and the reprogramming criteria provided in Chapter 7, “Reprogramming of Military Construction and Family Housing Appropriated Funds.”

2.4.4.1. The amount of reprogramming must be within total amounts appropriated in each annual appropriation act.

2.4.4.2. Amounts previously appropriated in excess of the cost of performance may be reprogrammed to support the completion of other projects.

2.4.4.3. Individual projects cited as a source of funds for reprogramming are limited to the new total cost included in the estimate given to the Congress.

#### \*2.5 Obligation and Expenditure Restrictions (170205)

2.5.1. Appropriated funds authorized for obligation are subject to the regulations regarding administrative control of funds and Antideficiency Act provisions addressed in Volume 14. An adequate system of funds control must be established in accordance with Volume 14. These controls must be designed to ensure individual projects are being carried out consistently with authorized purposes and within authorized and available funds.

2.5.2. Absent a specific provision of law, the cost estimate for each project approved by the Congress is not a separate statutory cost limitation. Major physical or financial changes in individual projects previously approved must be reported in advance to the House and Senate Appropriations Committees and the House National Security and Senate Armed Services Committees for their approval after proper clearance within the Department and OMB.

2.5.3. Limitations will be at the project level for major construction and budget activity for minor construction and planning and design.

2.5.4. DoD Components have limited authority to realign resources between projects consistent with Volume 2B, Chapter 6.

2.5.5. Requests for apportionment of appropriated funds must be based on estimates contained in applicable approved operating budgets.

2.5.6. Within each Military Department, funding authorizations to incur obligations must be made by means of subdivisions of appropriated funds to operating agencies and operating units responsible for construction. Such funding authorizations must be less than or equal to total obligation requirements for the respective approved operating budgets.

2.5.7. There can be only one allotment of funds from the construction appropriation to any operating agency and only one suballotment of funds from any such allotment to each operating unit. These allotments and suballotments represent funds distribution only and are not made for reimbursable activity. Each allotment or suballotment should carry with it only such additional obligation limitations as may be established by OMB or the Secretary of Defense, or as otherwise required by the Congress or the President. Separate limitations imposed on total costs by congressional authorizations and by administrative action must be observed at every level in connection with budgetary and funding actions as well as in program execution.

**\*2.5.8. Intergovernmental Construction Work or Services**

2.5.8.1. Military Departments performing construction work or services for another DoD Component or other Federal agency are required to use reimbursable agreements defined within the Economy Act when practical. [Guidance in the Treasury Financial Manual, Volume I, Part 2, Chapter 4700, Appendix 6, Section 9 provides the standard Interagency Agreement containing Fiscal Service \(FS\) Form 7600A, “General Terms and Conditions,” and FS Form 7600B, “Order Form.”](#) The FS Forms 7600A/B must cite a requirement for periodic billings for construction, and include supporting documentation of the costs billed. All DoD Components must use the latest published versions of FS Forms 7600A/B and must comply with the Federal Intragovernmental Data Standards when using the Treasury’s [G-Invoicing](#) system, DoD Ordering systems, Enterprise Resource Planning, or when completing the FS Forms 7600 A/B manually.

2.5.8.2. DoD Construction Agents wishing to use suballotments rather than FS Forms 7600A/B must deliver a detailed action plan to the Deputy Chief Financial Officer (DCFO). If the detailed action plan is approved by the DCFO, the Construction Agents are required to:

2.5.8.2.1. Use independently validated Federal Information System Controls Audit Manual (FISCAM) and Federal Financial Management Improvement Act (FFMIA) compliant financial management systems:

2.5.8.2.1.1. FISCAM compliant systems must meet all relevant FISCAM control objectives to the financial statements (i.e. both Information Technology General Controls and application controls related control objectives).

2.5.8.2.1.2. FFMIA compliant systems must meet: Federal financial management system requirements (e.g., OMB Circulars A-127 and A-130), applicable Federal accounting standards (e.g., Statement of Federal Financial Accounting Standards (SFFAS), OMB Bulletin (19-03), and the USSGL at the transaction level.)

2.5.8.2.2. Provide USSGL/SFIS compliant trial balances inclusive of budgetary and propriety accounts to each customer and Defense Finance and Accounting Service monthly. They must also provide reconciliations of the trial balances to:

2.5.8.2.2.1. Suballotment universe of transactions;

2.5.8.2.2.2. End-to-end feeder systems, including contract writing systems, entitlement systems, and Accountable Property Systems of Record;

2.5.8.2.2.3. Defense Departmental Reporting System (DDRS) unadjusted and adjusted trial balances; and

2.5.8.2.2.4. Program Budget Accounting System funding authorizations.

2.5.8.2.3. Provide end-to-end business process and underlying system walkthroughs, process flows, and narratives, for the execution of Military Construction projects - both major and minor. The end-to-end business process includes the receipt of funding through the transfer of asset(s) and close-out of related contracts. The process should demonstrate how all costs (direct and indirect) associated with bringing an asset into service is accumulated in a construction-in-progress account in accordance with [SFFAS 6](#), Accounting for Property, Plant, and Equipment.

2.5.8.2.3.1. Within five days of receipt from customer, provide requested transaction supporting documentation. Documentation may include: contracts, invoices, receiving documents, rate settlement calculations, Department of Defense [\(DD\) Form 1354](#), Transfer and Acceptance of DoD Real Property, and support for DDRS or accounting system Journal Vouchers.

2.5.8.2.3.2. Work with customer auditors to identify and correct any audit findings, including system findings.

2.5.8.3. Provide a reconciliation of progress billings to actual construction in progress and provide sufficient supporting documentation for the reconciliation at least monthly.

2.5.8.4. DoD Construction Agents may perform work or services for another DoD Component or other Federal agency (i.e. [Federal Emergency Management Agency](#)) when construction or services work is a response to an emergency, under suballotments.

2.5.8.5. Funding for construction work by the transfer of appropriation accounts or by advances of funds is prohibited. Direct citation of funds (i.e. direct charge by the performing unit and/or activity to the funds of the ordering unit and/or activity) is also prohibited.

2.5.9. The performance of all work or services on a reimbursable basis under a construction appropriation must conform to the policies prescribed in this subparagraph:

2.5.9.1. Reimbursements earned are an additional source of obligational authority under the appropriate budget program account. Recording reimbursements for orders received is permitted for establishing obligational authority. Cost limitations for the performance of work must be observed pursuant to the terms of the orders received. Operating budgets must include estimates of reimbursable orders received or anticipated.

2.5.9.2. Reimbursements are to be budgeted and their use controlled at the Military Department level where management and control of a program is retained. In these cases, allotments of funds must be expressed in terms of total obligational authority in operating budgets of the respective operating agencies and operating units responsible for carrying out the program.

2.5.10. Authority to procure architectural and engineering services for public works and utilities projects is provided by 10 U.S.C. § 7540, 8612 and 9540. These sections, which apply to the Departments of the Army, Navy, and Air Force, [and](#) limit the amount of obligations that can be incurred for architectural and engineering services for any public works or utilities project. Specifically, these sections limit the amount of such services provided by sources outside the respective Departments to not more than six percent of the estimated cost of the project. The six percent threshold does not include costs associated with activities such as design reviews, advertisements, preparation of invitations for bids, requests for proposals, land survey, soils and/or other investigations and model studies, determination of program or project requirements, design development criteria, environmental impact statements and supporting data, or travel and per diem.

#### \*2.6 Planning and Design (170206)

2.6.1. 10 U.S.C. § 2807 authorizes the Secretary to obtain architectural and engineering services and may carry out construction design in connection with military construction projects, family housing projects, and projects undertaken in connection with the authority provided under 10 U.S.C. § 2854 not otherwise authorized by law.

2.6.1.1. Such efforts may be accomplished without specific congressional authorization for the project, provided the activities are accomplished within amounts appropriated and the estimated design costs do not exceed the amount established in 10 U.S.C. § 2807, as amended. The established limit is \$1 million.

2.6.1.2. 10 U.S.C. § 2807 prescribes an obligational notice and wait period for architectural and engineering services and construction design services for which the estimated costs exceed \$1 million. Before obtaining such services, the Secretary concerned will notify the appropriate committees of the Congress before the initial obligation of funds for such services. The Office of the ASD(Sustainment), Facility Investment and Management Directorate will receive copies of the Congressional notification. The Secretary concerned can only obligate the funds after the end of a [14-day](#) period following the [electronic](#) notification to Congressional committees pursuant to 10 U.S.C. § 480. This provision applies to both the active and reserve components of the Military [Departments](#).

2.6.2. See subparagraph 170205.J. for limitations on the amount of costs Military Departments may incur for architectural or engineering services obtained from sources outside of the respective Department.

2.6.3. Planning and design functions include:

2.6.3.1. Architectural and engineering services and construction design required for site investigation, survey, mapping, or sketches;

2.6.3.2. Preparation of cost estimates for construction and land acquisition projects;

2.6.3.3. Preparation of plans, specifications, special studies, including value engineering, and construction contract documents;

2.6.3.4. Construction management of projects funded by foreign governments for which elements of the Armed Forces of the United States are the primary users;

2.6.3.5. Development and updating of design criteria and manuals;

2.6.3.6. Preparation of standard designs and definitive drawings used on military construction projects;

2.6.3.7. Management of military construction program design and contract administrative services for design;

2.6.3.8. Certification of project cost;

2.6.3.9. Administration of architectural and engineering service contracts for the design of construction and land acquisition projects; and

2.6.3.10. Printing and reproduction of bid documents, preparing pre-bid government estimates and liaison with prospective bidders prior to award of a construction contract.

## 2.7 Scope of a Military Construction Project (170207)

2.7.1. Military construction projects include all acquisitions of land, regardless of cost. All requests for purchase, withdrawal from public domain, lease, or permit from individuals or government entities, or any other type of use agreement involving more than 1,000 acres, or land whose estimated purchase price or annual lease price exceeds \$1 million will be submitted to the Deputy Secretary of Defense through ASD(Sustainment).

2.7.2. A military construction project includes all construction efforts, or any contribution authorized by law, necessary to produce a complete and usable facility or a complete and usable improvement to an existing facility or improvement as specifically authorized by law.

2.7.3. Military construction project funding includes equipment installed in and made a part of real property structures or improvements. Construction project funding excludes all production and movable equipment. The source and cost of all production and movable equipment directly associated with construction projects must be disclosed as additional information in presenting construction programs and budgets.

2.7.4. Construction applicable to one real property facility:

2.7.4.1. All construction proposed for a real property facility in which the same functional purpose or related functional purposes involved will be treated as one project.

2.7.4.2. All concurrent construction proposed for contiguous areas of a multi-use facility must be treated as a single project even though the construction pertains to unrelated functional purposes. For this purpose, contiguous means “in actual contact” or “touching.”

2.7.4.3. All construction proposed for a multi-use facility that is common to the facility as a whole, or common to areas in which the same or related functional purposes are performed, must be treated as a single project.

2.7.4.4. Construction proposed for a multi-use facility may be divided into separate projects if each project can be clearly defined and the result is a complete and usable facility.

2.7.5. When construction is accomplished concurrent with repair and/or maintenance work as an integrated undertaking, the construction may be treated as a separate project. Because the construction is treated as a separate project, cost limitations, notification, and other requirements associated with applicable construction projects apply. For this purpose, engineering estimates may be used to determine costs applicable to the construction portion

2.7.6. A decision as to whether one project or several projects are to be established for related efforts must be submitted for approval to the Secretary of the appropriate Military Department.

## 2.8 Certifications of Costs (170208)

2.8.1. Certifications of costs incurred must be prepared in accordance with the format shown in UFC 1-300-08. These certifications must include statements of total cost incurred on the project; the total cost broken out for each building, linear structure, and structure constructed as part of the project; and the total cost broken into the categories of planning and design, construction contract supervision and administration, construction costs, and project funded real property installed equipment (RPIE) costs. In connection with the statement of total costs, the types of funds obligated or the lines of accounting for the funds must be identified as well as the organization(s) responsible for funding the acquisition.

2.8.2. The certification must be completed upon completion of the contract and furnished to the accountable Service when final costs of construction are accrued. The certification must be signed by an individual within the construction agent organization responsible for and authorized

to transfer accountability and by the individual within the acquiring entity responsible for and authorized to accept accountability of the relevant properties (in most cases, the Real Property Accountable Officer).

2.8.3. A copy of the certification must be retained in a project file at each level that maintains project files.

## 2.9 Project Files (170209)

Project files must be maintained for each construction project. These project files must represent a complete historical record of the project from inception to completion. Correspondence and other documentation pertinent to the project should be incorporated into project files at all appropriate levels. These files may include memorandums for record pertaining to decisions resulting from discussions, meetings, and telephone conversations. Construction agents are responsible for holding the historical project files and must provide copies of the files to the acquiring entity. Any agreements or contracts with construction agents must specify the requirement for the construction agent to provide copies of such files to the acquiring entity in accordance with this paragraph on a monthly basis.

## 3.0 CATEGORIES OF MILITARY CONSTRUCTION PROJECTS (1703)

### 3.1 Specified Military Construction Projects (170301)

3.1.1. Specified military construction projects, or “major military construction” projects, include all acquisition and/or construction, additions, expansions, extensions, conversions, alterations, or replacements of:

3.1.1.1. Facilities with costs in excess of the amount specified by law as the maximum amount for a minor construction project, or

3.1.1.2. Any project, regardless of cost, approved as a specific line item in the Military Construction budget request.

3.1.2. Elements of a major construction project should include:

3.1.2.1. Surveys, demolition and site preparation;

3.1.2.2. Acquisition, conversion, rehabilitation, and installation of facilities;

3.1.2.3. Acquisition and installation of equipment and appurtenances integral to the project;

3.1.2.4. Acquisition and installation of supporting facilities (including utilities) and appurtenances incident to the project;

3.1.2.5. Supervision, administration, and overhead incident to the project; and



3.1.2.6. Design and support of design for construction projects after project approval (includes change orders, value engineering proposals, and as-built drawings).

3.1.3. Specifically excluded from major construction are those activities identified as minor construction, planning and design, or supporting activities.

### 3.2 Unspecified Minor Military Construction (170302)

3.2.1. Projects involving the acquisition of new construction, addition, expansion, extension, alteration, conversion, replacement, or installation of permanent or temporary facilities (except family quarters) are minor construction projects when:

3.2.1.1. The cost of the project does not exceed such amount as may be specified by 10 U.S.C. § 2805 for the Active Components and 10 U.S.C. § 18233a for the Reserve Components, and

3.2.1.2. The project has not been included in the budget request as a specific line item.

3.2.2. For other than family housing facilities, when the cost of a project is less than the amount specified in 10 U.S.C. § 2805, the project must be financed from unspecified minor construction appropriations; operations and maintenance (O&M) appropriations; research, development, test and evaluation (RDT&E) appropriations; working capital fund resources; or other resources, as appropriate. The funding source does not influence the financial statement capitalization requirements described in subparagraph 170602.A.

#### 3.2.3. Project guidelines include:

3.2.3.1. Notwithstanding any other provisions for approval of minor construction projects, no project may be proposed to be accomplished under minor construction authority that previously has been deleted by the Congress from proposed military construction authorization legislation or otherwise disapproved of by the Congress.

3.2.3.2. Each project accomplished under the minor construction authority must result in a complete real property facility or improvement.

3.2.3.3. Each project must, to the maximum extent possible, be consistent with the appropriate installation master plan. Requests for project approval must fully disclose the relation of the project to the master plan and must detail further planned construction to the same or closely related facilities.

3.2.3.4. The planned acquisition of, or improvement to, a real property facility through a series of minor construction projects; that is, incremental type construction is prohibited.

#### 3.2.4. Notification requirements include:

3.2.4.1. When a minor construction project costing more than amounts established in 10 U.S.C. § 18233a is undertaken, appropriate congressional committees must be notified prior to the start of the project. The project then may be carried out only after the end of the 21-day period beginning on the day the notification is received by the committees, or if earlier, the end of the 14-day period beginning on the date on which an electronic copy of the notification is provided in an electronic medium pursuant to 10 U.S.C. § 480. Funds cannot be obligated for construction until the committee approves the minor construction

3.2.4.2. 10 U.S.C. § 2805 requires the Secretary concerned to notify, in writing, the appropriate committees of Congress of a decision to undertake an unspecified minor construction project costing more than \$2 million. Notification must include the justification and estimated cost of the project. The project may be carried out only after the end of the 14-day period beginning on the date notification is received by the committees in an electronic medium pursuant to 10 U.S.C. § 480.

#### 3.2.5. Additional minor construction provisions include:

3.2.5.1. Planning and design costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C § 2805 for minor construction projects.

3.2.5.2. DoD Components are precluded from using materials, supplies, or items of installed capital equipment on their own minor construction projects on a non-reimbursable basis.

3.2.5.3. Prerequisites for establishing a minor construction project include identification of the required end result of the project and its correlation with the appropriate installation master plan.

3.2.5.4. It is not feasible to prescribe absolute criteria for determining what scope of work would, under all possible circumstances, properly constitute a separate minor construction project. However, minor construction projects undertaken under the authority of 10 U.S.C. § 2805 must be consistent with the intent of the statute as to what constitutes a separate project.

### 3.3 Emergency and Contingency Construction (170303)

Congress provides several separate authorities for major construction during times of war and national emergency and other special situations. These authorities are:

#### 3.3.1. Construction [Authority](#) in the Event of a Declaration of War or National Emergency

3.3.1.1. 10 U.S.C. § 2808 contains authority authorizing the Secretary of Defense to undertake military construction projects, without regard to any other provision of law, in the

event of a declaration of war or the declaration by the President of a national emergency. This adheres to the National Emergencies Act, 50 U.S.C. Chapter 34, which requires use of the Armed Forces of the United States.

3.3.1.2. Such projects must be necessary to support use of the Armed Forces and may be undertaken only within the total amount of funds appropriated for military construction, including funds appropriated for family housing, that have not been obligated. Additional guidance is contained in DoDD 3025.18 and DoDD 4270.5.

3.3.1.3. When a Secretary of a Military Department decides, in conjunction with the supported Combatant Commander, to request use of this authority, the Secretary of the Military Department will submit a request to ASD(Sustainment). This request must include:

3.3.1.3.1. [DD 1391](#), Military Construction Project Data, providing justification for the project and a current cost estimate. Justification must include alternatives considered to using this authority and reasons for their non-selection.

3.3.1.3.2. An explanation of when the requirement was identified and how it was planned or programmed for execution prior to the current request.

3.3.1.3.3. A complete description of the source of funds to be used for the project, including the specific reasons as to why the funding is available and associated notifications under 10 U.S.C. § 2853, “Authorized Cost and Scope of Work Variations,” as necessary.

3.3.1.3.4. An expected timeline and acquisition method for the project (including design, milestones, construction contract award, and completion dates) assuming project approval within 30 days of submission of the request to ASD(Sustainment).

3.3.1.3.5. Rationale as to why the project should not be deferred to a future budget request.

3.3.1.4. In conjunction with a Military Department request for 10 U.S.C. § 2808 authority, the Chairman of the Joint Chiefs of Staff must certify to the ASD(Sustainment) the request satisfies Combatant Commander priorities and is consistent with theater basing plans and/or operational requirements.

3.3.1.5. Once the Secretary of the Defense has notified the Congress, the OUSD(C) will issue funds pursuant to Chapter 5. Further, increases to the estimated costs provided in the notification require OUSD(C) coordination and reissuance of the funds.

3.3.1.6. This authority will terminate at the end of the war or national emergency.

### 3.3.2. Emergency Construction

3.3.2.1. The Secretaries of the Military Departments and Directors of Defense Agencies may carry out a major construction project under the authority of 10 U.S.C. § 2803, after appropriate congressional notification. Additional guidance is contained in DoDD 4270.5, “Military Construction.” Emergency construction is limited to those projects where it is determined:

3.3.2.1.1. The project is vital to national security, protection of health and safety, or quality of the environment; and

3.3.2.1.2. The requirement for the project is so urgent deferral of the project for inclusion in the next Military Construction Authorization Act would be inconsistent with national security, protection of health and safety, or quality of the environment.

3.3.2.2. When a decision is made to request approval for an emergency construction project, the DoD Component concerned must submit a notification and request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. § 2803 and Chapter 7. Each reprogramming request must include:

3.3.2.2.1. Justification for the cost of the project,

3.3.2.2.2. The current estimate of the cost of the project,

3.3.2.2.3. Justification for carrying out the project as an emergency construction project, and

3.3.2.2.4. statement as to the source of funds to be used for the project.

3.3.2.3. Emergency construction projects must be financed within amounts appropriated for military construction not obligated for other purposes. The maximum obligated amount by each Military Department in any fiscal year is established in 10 U.S.C. § 2803.

3.3.2.4. The project may be carried out only after the end of the five-day period beginning on the date the notification is received by the Congressional committees in an electronic medium pursuant to 10 U.S.C. § 480.

3.3.2.5. Except as otherwise specifically provided for, emergency construction projects will be subject to the same restrictions and limitations as major construction projects. Additionally, the identification and treatment of costs for emergency construction projects must be consistent with major construction projects.

3.3.2.6. There is no provision for emergency construction for the Reserve Components.

### \*3.3.3. Contingency Construction

3.3.3.1. 10 U.S.C. § 2804, “Contingency Construction” and the annual Military Construction Appropriation Acts authorize projects of an urgent nature to be funded from the Contingency Construction Account. Such efforts, to the extent accomplished within amounts appropriated for such purposes, may be accomplished without specific congressional authorization for the project involved. Additional requirements on the use of operation and maintenance funds under contingency construction authority for construction projects inside the United States Central Command Area of Responsibility (AOR) or certain countries in the United States Africa Command AOR are prescribed by OUSD(C) in a memorandum located on the DoD Financial Management Regulation (FMR) website on the [Policy Memoranda](#) page (under the “Volume 3” heading) and is updated more frequently than FMR chapters. The purpose of the policy memorandum is to extend authority for a specific period, authorizing funds for military construction.

3.3.3.2. A project financed under this authority requires a determination that deferral of the project for inclusion in the next Military Construction Authorization Act would be inconsistent with national security or national interest. Additional guidance is contained in DoDD 4270.5.

3.3.3.3. Use of this authority requires approval by the Secretary of Defense and written notification to the appropriate committees of Congress.

3.3.3.4. When a decision is made to request approval for a contingency construction project, the DoD Component concerned must submit a notification and request for reprogramming of military construction funds in accordance with the provisions of 10 U.S.C. § 2804 and Chapter 7. Each reprogramming request must include:

3.3.3.4.1. Justification for the cost of the project,

3.3.3.4.2. The current estimate of the cost of the project, and

3.3.3.4.3. Justification for carrying out the project as a contingency construction project.

3.3.3.5. Actual construction may not commence prior to the receipt of appropriate DoD and congressional approval. The project may be carried out only after the end of the seven-day period and beginning on the date the notification is received by the appropriate in an electronic medium pursuant to 10 U.S.C. § 480.

## 3.4 Environmental Response Actions (170304)

3.4.1. Authority for environmental response actions is provided under 10 U.S.C. subtitle A, Part IV, Chapter 160, “Environmental Restoration.” Under the provisions of 10 U.S.C § 2707, “Environmental Restoration Projects for Environmental Responses,” the Secretary of Defense or the Secretary of a Military Department may carry out an environmental restoration project if that Secretary determines the project is necessary to carry out a response under Chapter 160 or the

Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), 42 U.S.C. Chapter 103.

3.4.2. Any construction, development, conversion, or extension of a structure, and any installation of equipment, included in an environmental restoration project may not be considered military construction.

3.4.3. The United States Department of the Treasury (Treasury) Fund Symbol \*\*\*X0810, “Environmental Restoration” has been established by 10 U.S.C § 2703, “Environmental Restoration Accounts” for the conduct of environmental restoration projects. (Replace \*\*\* with appropriate DoD or Military Department identifier.) This account will be credited with:

3.4.3.1. Amounts appropriated to this account by Congressional action,

3.4.3.2. Amounts recovered under CERCLA for response actions, and

3.4.3.3. Any other amounts recovered from a contractor, insurer, surety, or other person to reimburse the DoD or a Military Department for any expenditure for environmental response activities.

#### 3.4.4. Use of Funds

3.4.4.1. The Environmental Restoration Account described in this paragraph is the only source of funds to conduct environmental restoration projects at a site under the jurisdiction of the DoD or at a formerly used defense site, except for certain Base Realignment and Closure sites.

3.4.4.2. In the case of property disposed of pursuant to a base closure law and subject to certain CERCLA provisions, the sole source of funds for environmental restoration is the applicable DoD base closure account. See 10 U.S.C. § 2703 for additional provisions.

3.4.4.3. No funds appropriated to the Environmental Restoration Account, or to any environmental restoration account of a Military Department may be used for the payment of a fine or penalty (including any supplemental environmental project carried out as part of such penalty) imposed against the DoD or a Military Department, except as provided in 10 U.S.C. § 2703, paragraph f.

3.4.5. See Volume 4, Chapter 13 for the accounting policy for measuring, recognizing, and disclosing environmental liabilities.

### 3.5 Restoration or Replacement of Damaged or Destroyed Facilities (170305)

3.5.1. The Secretaries of the Military Departments and the Secretary of Defense may repair, restore or replace a facility damaged or destroyed and for which legislative authorization and appropriation has not been provided.

3.5.2. 10 U.S.C. § 2854, “Restoration or Replacement of Damaged or Destroyed Facilities,” requires Congress be notified in writing when the cost of a project is greater than the amount specified in 10 U.S.C. § 2805 for minor construction. See Chapter 7.

3.5.3. When a decision is made to request approval for restoration or replacement of damaged or destroyed facilities, the applicable DoD Component concerned must submit a request in accordance with the provisions of 10 U.S.C. § 2854 and Chapter 7. Each reprogramming request must include:

3.5.3.1. Justification for, and the current estimate of, project cost; and

3.5.3.2. A statement as to the source of funds to be used for the project.

3.5.4. Restoration or replacement projects must be financed within amounts appropriated that have not been obligated for other purposes.

3.5.5. A replacement project under this section may be carried out only after the end of the seven-day period beginning on the date on which a copy of the notification in an electronic medium pursuant to 10 U.S.C. §480.

### 3.6 Defense Access Roads (170306)

3.6.1. 23 CFR Part 660, Subpart E, states the defense access roads program provides a means by which the Federal government may pay its fair share of the cost of:

3.6.1.1. Highway improvements needed for adequate highway service to defense and defense related installations;

3.6.1.2. New highways to replace those, which must be closed to permit establishment or expansion of defense installations;

3.6.1.3. Repair of damage to highways caused by major military maneuvers;

3.6.1.4. Repair of damages due to the activities of contractors engaged in the construction of missile sites; and

3.6.1.5. Missile routes to ensure their continued ability to support the missile transporter-erector vehicle.

3.6.1.6. Funds appropriated for the purposes of this section must be available to pay the cost of repairing damage caused to for any infrastructure to mitigate the risks posed to, highways by recurrent flooding and sea level fluctuation, if the Secretary of Defense must determine continued access to a military installation has been impacted by past flooding and mean sea level fluctuation



3.6.2. Authorization for the funding of the construction and maintenance of defense access roads is provided by 23 U.S.C. § 210, “Defense Access Roads.” Defense access roads, including bridges and tunnels, provide access to military reservations, to defense industries and defense industry sites, and to the sources of raw materials when such roads are certified as important to the national defense by the Secretary of Defense or such other official as the President may designate. In addition, DoD may replace existing highways and highway connections that are shut off from the general public use by necessary closures or restrictions at military reservations and defense industry sites.

3.6.3. Highways located within the boundaries of a military reservation are not eligible for financing from these funds. Such highways must be funded from major construction, emergency construction, or minor construction programs, as applicable. Additionally, projects in the regular Federal Air Primary Systems normally are not considered eligible for financing with these funds.

3.6.4. Funds available for Defense access roads can be provided to the Department of Transportation (DoT) via a Standard Form (SF) 1151, Nonexpenditure Transfer Authorization, or the effort may be carried out by DoT on a reimbursable basis.

### 3.7 Relocatable Buildings (170307)

3.7.1. A relocatable building is a habitable prefabricated structure designed and constructed to be readily moved, erected, disassembled, stored, and reused. Also included in the definition are tension fabric structures assembled from modular components and air-supported domes, both of which can be easily disassembled, moved, and reused. This definition excludes mobile military equipment such as communications vans, emergency management and command post trailers. Also excluded are tents, modular sheds less than 500 square feet, temporary contractor trailers, and temporary government construction administration trailers located on, or in the vicinity of, a construction site.

3.7.2. DoDI 4165.56, “Relocatable Buildings,” provides DoD guidance for the acquisition and use of relocatable buildings. This instruction provides relocatable buildings may be acquired, stored, and used within DoD when these facilities constitute the most feasible and economical means of satisfying short-term interim facility requirements pending the availability of permanent space in existing facilities or through the construction of a permanent conventional facility. An interim facility requirement is a short-term requirement (normally 5 years or less) for facilities due to transitory peak military missions, deployments, military contingency operations, or disaster relief requirements, or other urgent requirements. Relocatable buildings also may be used instead of conventional, permanent construction when the duration of the requirement is uncertain such as in a contingency operation pursuant, or instead of conventional, permanent construction when the space is known to have a recurring mobile requirement, such as the need to move a field office to different sites on a training range.

3.7.3. Buildings, which meet the definition of relocatable buildings, may be classified as personal property when purchased as an equipment item, and if so, must be acquired with funds available for O&M, RDT&E or Procurement funds, as appropriate.

3.7.4. The acquisition of buildings, to include modular facilities, which do not qualify as relocatable buildings under applicable policy, must be acquired as military construction. The rules for Specified Military Construction Projects (see paragraph 170301), Unspecified Minor Military Construction (see paragraph 170302), Emergency and Contingency Construction (see paragraph 170303) or other applicable authority must be applied. Site preparation to erect or install relocatable buildings resulting in real property improvements is classified as construction and is funded with O&M or military construction in accordance with 10 U.S.C. §§ 2801 and 2805.

3.7.5. Costs for set up, disassembly, maintenance, refurbishment, packaging, and transporting relocatable buildings classified as equipment are expenses and must be appropriately charged to appropriations available to fund such costs.

3.7.6. Relocatable buildings may be authorized and acquired as real property. Relocatable buildings acquired as real property are funded with either O&M or Military Construction funds depending on the total acquisition cost in accordance with the cost thresholds for construction pursuant to 10 U.S.C. §§ 2801 and 2805. In determining the threshold, the cost of the relocatable building will be based on the total cost of the completely assembled building and not on the separate components, and includes all site work.

#### 4.0 EFFORTS FINANCED BY MILITARY CONSTRUCTION APPROPRIATIONS (1704)

##### 4.1 Funded Costs (170401)

Except as prescribed in section 1705, major costs incurred during the design and construction phases are funded from applicable military construction appropriations. These costs include, but are not necessarily limited to:

4.1.1. All materials, supplies, and services applicable to the project;

4.1.2. RPIE, unless such equipment was obtained on a non-reimbursable basis from another DoD Component or federal agency;

4.1.3. Transportation costs applicable to materials, supplies, and government owned equipment;

4.1.4. Labor costs, including construction units composed of foreign nationals but excluding U.S. military labor;

4.1.5. The portion of installation overhead or support costs that can be identified as representing additional costs that would not have been incurred were it not for the project;

4.1.6. Supervision, inspection and overhead costs charged by the USACE and the NAVFEC when serving as the design and/or construction agent;

4.1.7. Travel and per diem related to applicable military or civilian labor;

4.1.8. The portion of costs applicable to the O&M of Government owned equipment, computed on an hourly rate in accordance with Volume 11A, Chapter 1, Table 1-1;

4.1.9. For specified major construction projects, planning and design costs described in paragraph 170206; and

4.1.10. Cost of remediating unknown environmental contamination within the footprint of a military construction project.

#### 4.2 Overhead Expenses (170402)

All overhead expenses for the military construction program, including work for others, initially are financed from the performing military construction appropriation. These expenses are distributed to projects, including work for others. Military construction overhead includes:

4.2.1. Personal services (and support costs) at field and headquarters activities related to the military construction program;

4.2.2. Contract administration;

4.2.3. Military construction program and project management (including post construction evaluation);

4.2.4. Technical direction and coordination of projects;

4.2.5. Land planning studies or reports, appraisal, and title search after congressional authorization of a land acquisition or exchange; and

4.2.6. Project management and administration not otherwise identified in this paragraph.

#### \*4.3 Reimbursable Project Costs (170403)

The appropriation or fund financing a construction project must reimburse other appropriations or funds, as applicable, for costs initially financed by another appropriation or fund. Reimbursement between appropriations must be made using FS Forms 7600A/B and include supporting documentation the of performance, receipt, and acceptance by using the G-Invoicing system. In instances where G-Invoicing is not available, DoD Components must use hardcopies of FS Forms 7600A/B and DD 1354 or DD 250, Material Inspection and Receiving Report. Additionally, the SF 1080, Voucher for Transfers Between Appropriations and/or Funds, may be necessary for fund transfers.

## 5.0 RELATED COSTS FINANCED BY OTHER THAN MILITARY CONSTRUCTION APPROPRIATIONS (1705)

### 5.1 Unfunded Costs (170501)

5.1.1. Some military construction **costs** are identified as unfunded costs. However, such costs must be capitalized as part of the value of the property. Unfunded costs:

5.1.1.1. Contribute to a military construction project,

5.1.1.2. Are financed from appropriations other than military construction, and

5.1.1.3. Are not reimbursed by appropriations available for military construction.

5.1.2. Unfunded costs include:

5.1.2.1. Costs financed from military personnel appropriations;

5.1.2.2. Costs applicable to the depreciation of government owned equipment computed on an hourly rate in accordance with Volume 11A, Chapter 1, Table 1-1;

5.1.2.3. Unfunded civilian fringe benefit rates for DoD civilian personnel as prescribed in Volume 11A, Chapter 6, Appendix C, "Civilian Personnel Fringe Benefit;"

5.1.2.4. Gifts from private parties;

5.1.2.5. In-kind considerations; and

5.1.2.6. Materials, supplies, and items of RPIE obtained specifically for a project on a non-reimbursable basis, either as excess distributions from another DoD Component or as excess distributions from other federal agencies. (A DoD Component is precluded from using materials, supplies, or items of RPIE on its own minor construction projects on a non-reimbursable basis).

5.1.3. Planning and design costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C. § 2805 for minor construction projects.

### 5.2 Advance Planning (170502)

5.2.1. Advance planning activities generally are performed prior to funding **and design** authorization of a construction project by the military component. Advance planning and design activities include, but are not limited to:

5.2.1.1. Developing the requirements for a military construction project (project formulation),

5.2.1.2. Developing a master plan for an installation,

5.2.1.3. Initial explorations of project alternatives and rough drawings,

5.2.1.4. Facilities related management studies,

5.2.1.5. Conceptual analyses,

5.2.1.6. Making alternative site studies,

5.2.1.7. Developing and validating military construction project documentation prior to commencing project design,

5.2.1.8. Preparing engineering analyses and studies to develop technical design parameters prior to commencing project design, and

5.2.1.9. Preparing environmental impact assessments and statements.

5.2.2. Advance planning costs are excluded from the cost determination for purposes of determining compliance with the amounts established in 10 U.S.C. § 2805 for minor construction projects. See subparagraphs 170301.B and 170302.F. Advance planning is not encompassed by, and should not be performed under, the authority for military construction project planning and design efforts, such as 10 U.S.C. § 2807 or 18233(f).

5.2.3. Advance planning costs are financed from applicable O&M appropriations, RDT&E appropriations, procurement appropriations, or working capital fund resources, as appropriate.

5.2.4. Advance planning costs are expensed in the period incurred.

### 5.3 Minor Construction (170503)

For other than family housing projects, when the cost of a minor construction project is less than the amount established in 10 U.S.C. § 2805, the project must be financed from unspecified minor construction appropriations, O&M appropriations, RDT&E appropriations, working capital funds resources, or other resources, as appropriate. See paragraph 170302.

### 5.4 Family Housing (170504)

All family housing construction projects must be funded from applicable family housing appropriations. Policy concerning funding of family housing efforts is addressed in Volume 2B, Chapter 6.

\*5.5 Equipment and Relocatable Items (170505)

5.5.1. The following must be financed from O&M, RDT&E, or Procurement appropriations or working capital fund resources, as appropriate:

5.5.1.1. Items of equipment are moveable and not affixed as an integral part of a facility;

5.5.1.2. Any operational equipment for which installation mountings and connections are provided in the building design and are detachable without damage to the building or equipment; and

5.5.1.3. The costs of alterations to install movable equipment not affixed as an integral part of a facility.

5.5.2. Examples of equipment or relocatable items are:

5.5.2.1. Equipment including all types of production processing technical, training, servicing, RDT&E, and pre-wired work stations;

5.5.2.2. Prefabricated screens, partitions, false floors, platforms, and shielding for electromagnetic radiating services;

5.5.2.3. Temporary removal and reinstallation or portions of existing walls, roofs, utility systems, and appurtenances to permit installation of equipment; and

5.5.2.4. Secondary utility work necessary to connect equipment to existing utilities services within a facility between the primary entry and source of utilities into the structure and the equipment to be served.

5.6 Recycling Programs (170506)

Projects for pollution abatement, energy conservation, and occupational safety and health activities may be funded from other than the military construction appropriation when the cost of a project:

5.6.1. Is funded from the proceeds of sales of recyclable material in accordance with Volume 11A, Chapter 5 and 10 U.S.C. § 2577, “Disposal of recyclable materials,” and

5.6.2. Does not exceed 50 percent of the amount established by law as a maximum amount for minor construction projects in accordance with 10 U.S.C. § 2577.

## 6.0 RECOGNITION AND REPORTING REQUIREMENTS (1706)

### 6.1 Acceptance of Real Property (170601)

The acceptance of real property by an accountable Military Department or the Washington Headquarters Service, as well as the transfer between DoD Components, or to or from other federal agencies, must be documented. UFC 1-300-08 provides comprehensive guidance on the documentation of real property acceptance throughout the DoD by identifying the use of a draft, interim, and final version of the DD 1354. It also describes how the DD 1354 is used as part of a real property business process and defines the roles and responsibilities in the DD 1354 process. Though the DD 1354 is the basic source document, it typically does not stand-alone. UFC 1-300-08 lists examples of additional documents that should be provided with and attached to the DD-1354 such as, but not limited to, an approved work order, an authorization memorandum, information from contracts and contract modifications, and invoices. Additional information is in Volume 4, Chapter 24.

### 6.2 Accounting Recognition (170602)

#### 6.2.1. Capitalization of Assets

6.2.1.1. Capitalization is the process of recognizing the total costs of an asset, including property, plant, and equipment, in the financial records. Volume 4, Chapters 24 – 28 define capitalized general property, plant, and equipment as assets that meet four criteria:

6.2.1.1.1. Have an estimated useful life of two years or more,

6.2.1.1.2. Are not intended for sale in the ordinary course of operations,

6.2.1.1.3. Are acquired or constructed with the intention of being used or being available for use by the entity, and

6.2.1.1.4. Have a recorded cost that equals or exceeds the appropriate DoD capitalization threshold. See Volume 4, Chapters 24 - 28 for DoD capitalization threshold amounts.

6.2.1.2. All significant costs related to the construction or acquisition of an asset, including unfunded costs identified in paragraph 170501, must be recognized in capitalizing the costs of a project. The source of funding has no bearing on the capitalization of assets. See Volume 4, Chapters 24 - 28 for additional information regarding [recognized and capitalized](#) costs.

6.2.1.3. All costs following the project approval and funding authorization by the DoD Component must be capitalized.

6.2.1.4. Direct costs incurred in the design and construction phases of a project must be charged to a specific project. Other costs (listed in paragraph 170402) that are financed by military construction and subject to capitalization must be identified to the appropriate indirect cost groups for subsequent allocation to supervision, inspection and overhead cost pools.



### 6.2.2. Amounts to be Expensed

6.2.2.1. Costs incurred in the advance planning must be expensed in the period incurred. See paragraph 170502. These costs are not capitalized as part of the asset.

6.2.2.2. When a project is abandoned, the total cost incurred must be expensed consistent with Volume 4, Chapters 24 -28 and Volume 4, Chapter 17.

## 6.3 Financial Reporting (170603)

### 6.3.1. United States Standard General Ledger

6.3.1.1. The USSGL must be used in all DoD accounting systems for all appropriations and funds for the purpose of summarizing costs and obligations in budgets, accounting for costs and reporting these costs. (See the USSGL Treasury Financial Manual and Volume 1, Chapter 7.) The USSGL accounts and transactions applicable within DoD are documented in the SFIS Transaction Library and DoD Standard Chart of Accounts. Use of these accounts is required in order to classify costs for the joint purposes planning, programming, budgeting, and accounting for construction projects.

6.3.1.2. The management of an activity performing a construction project is responsible for ensuring that all significant costs (that is, both funded and unfunded costs) are recorded for the project and that all costs subject to capitalization are included in the real property asset accounts, property records, and reports submitted to the OSD and the Congress.

6.3.1.3. Cost accounting modules for accumulating and controlling construction projects must be integrated with an activity's overall accounting system. Cost accounting systems represent a subsidiary ledger of the general accounting system. Therefore, cost accounts, as appropriate, must be established for each project. Policy for managerial cost accounting is prescribed in Volume 4, Chapter 19.

6.3.1.4. Charges to an account must be categorized in one of the four construction phases addressed in Appendix A. The four phases addressed in Appendix A identify those costs that will be expensed and those costs that will be capitalized.

### 6.3.2. Specific Entries

Construction In Progress is USSGL account 172000 which can be subdivided. The Construction in Progress is used to accumulate and control costs as prescribed in Volume 4, Chapters 24 - 28. Also, see the USSGL, SFIS Transaction Library, and Volume 1, Chapter 7 for accounting entries.

### 6.3.3. Financial Reports

6.3.3.1. Accounting records must be designed to permit summarization of financial transactions producing accurate and timely information from one system of accounts. Data must

be in formats prescribed for budget and financial reports. [Additionally](#), management data may be required in executing financial oversight. [Records](#) and costs must be designed and maintained to facilitate audits of project amounts.

6.3.3.2. Each military construction appropriation account must be reported monthly in the “Report of Appropriation Status by Fiscal Year Program and Subaccounts,” Accounting Report Monthly 1002. The report must be prepared as prescribed in Volume 6A, Chapter 4.

**APPENDIX A: PHASES OF MILITARY CONSTRUCTION**

Congressional authorization of major construction projects typically represents the culmination of planning, programming, and budgeting efforts. A project evolves from a determination that a facility deficit exists. The need is defined, given a priority ranking, and placed in competition with other projects for available resources. The project definition effort begins at the installation level and moves through the chain of command until the project ultimately is included in the budget submittal. Table 1 to this appendix, “Evolution of a Fiscal Year 2021 Military Construction Project,” depicts the life cycle of a military construction project and shows the process could take three to seven years from conception to completion. The actual design phase could take one to two and a half years, while the construction phase could take one to three years. The remaining time is for planning, programming, budgeting and procurement activities. The scope and cost of each project must be finalized before the annual budget submission to the Congress. The total construction process consists of four phases:

**1.0 ADVANCED PLANNING AND PROGRAMMING**

1.1 Planning. During planning, an installation’s facility requirements are derived from the installation’s mission. The need to acquire additional facilities, or to modernize or replace existing facilities, is determined by an assessment of how existing facilities meet the installation’s facility requirements.

1.2 Programming. During programming, requirements are matched with anticipated resources and included in a long-range acquisition and recapitalization plan. Installation plans are combined into a Component wide basis to ensure compatibility with the nation’s military strategy, Component priorities and guidance, and in consideration of the Department of Defense (DoD) facilities investment goal.

1.3 Investment Goal. The DoD and the Congress recognize that a minimum level of facilities investment **must** be reached each year to protect existing **investment** facilities, ensure facilities continue to satisfy designated purposes, and renew aging installations. The physical plant must be capable of supporting operational requirements and readiness, both today and in the future. The investment goal is to recapitalize facilities at an appropriate rate given their estimated service life.

1.4 Master Planning. Facility requirements are reflected in an installation master plan. This document is the installation’s long-range strategy for development. It prescribes overall facility quality standards and architectural themes and addresses such areas as land use, utility systems, roads and parking.

1.5 The cost of the efforts described in subparagraphs **1.a through 1.d** are normally expensed and not capitalized.

1.6 Project Advanced Planning and Programming. After it is determined a construction project is needed, a general description of the project requirement, scope, cost estimate, and supporting documentation is submitted as part of the installation’s military construction budget request.

## **2.0 BUDGETING**

2.1 DoD Components determine which facility projects should be included in their Military construction budgets. Some facility projects may qualify for inclusion in other budgets, such as Procurement, Research, Development, Test and Evaluation, Operations and Maintenance or for accomplishment with nonappropriated funds.

2.2 The budget requests are forwarded to Office of the Secretary of Defense (OSD), where all programs are reviewed for compliance with DoD objectives and policies and modified as necessary to ensure consistency and conformity. Once the request has been jointly reviewed and approved by OSD and OMB, it is submitted to Congress as part of the President's Budget.

2.3 After receipt of the President's Budget, it is reviewed by oversight subcommittees of the House and Senate Appropriations Committees, House National Security, and Senate Armed Services Committees. Often, witnesses from respective DoD Components, and sometimes from the private sector, appear before the subcommittees to furnish further information on specific programs and projects.

2.4 Upon completion of its review, each subcommittee marks up the budget request and forwards its recommendations for approval to the full committee and then to the full chamber. Differences between the projects approved by the House and Senate are resolved in joint conferences. The Congress passes separate authorization and appropriation bills that, when signed by the President, become the approved Military Construction program.

2.5 The cost of these efforts is normally expensed and not capitalized.

## **3.0 DESIGN**

3.1 Once a Military Department has validated the requirement and priority of a military construction project and inserted it in a specific fiscal year program, a design instruction is issued to the design agent who initiates the design process.

3.2 Design may be accomplished by contracting with an architect-engineer firm, a design build firm, or an in-house professional staff. If the design is to be contracted, Title 10, United States Code, section 2855 will be followed.

3.3 Design is accomplished in predetermined phases to assure requirements are addressed properly in the design and that established standards and criteria are met. The number of phases and detail required for each phase varies with each project, depending on complexity, special interest, high visibility, time constraints, and funding level.

3.4 Normally, the critical point is the preliminary design stage (referred to as the 35 percent stage) since this stage provides sufficient detail to define scope, criteria, and cost estimates for consideration in the budgeting process. The content of the 35 percent design submittal is defined in the contract scope of work and will vary depending on the contract delivery strategy to be used to acquire the facility. The most typical strategy is a design based on a unique effort. However,

design could also be a strategy such as site adapt, a performance specification using commercially available building systems, or a design build, but each of these contracting processes determines the content of the 35 percent design submittal.

3.5 Design includes such actions as the development of design manuals, software programs, guide specifications and standards, standard drawings, extensive site investigation, analysis of alternative solutions, development of building systems layout, outline specifications, cost estimates, and special studies including value engineering.

3.6 The final design phase is initiated after thorough review by the using activities to ensure requirements and criteria were addressed properly in the preliminary design documents, the project has been revalidated, and is still in the budget. Upon completion of the work drawings, contract specifications, and bidding documents, the project is ready to be advertised for construction. Projects require both congressional authorization and appropriation before a construction contract can be awarded.

3.7 The cost of these efforts, including administrative and overhead support costs, must be capitalized.

#### 4.0 CONSTRUCTION

4.1 Normally, military construction projects are awarded through a competitive bid process and advertised in “Contract Opportunities,” using sealed bid procedures and awarding a firm fixed price contract to the contractor submitting the lowest acceptable bid. However, as discussed previously for the design phase, alternative contracting delivery strategies may be followed in accordance with the Federal Acquisition Regulation and congressional direction. Regardless of the method used, all requirements for construction contracts over \$25,000 must be advertised in “Contract Opportunities” to include details of the bidding procedures to be used.

4.2 Advertisement, award, and administration of a construction contract require both in-house and contract efforts including reproduction of bid documents, preparation and response to the advertisement, supervision, and administration and inspection throughout the life of the construction project, in addition to the total cost of the construction contract.

4.3 The cost of these efforts must be capitalized.

\*TABLE 1. EVOLUTION OF A FISCAL YEAR 2021 MILITARY CONSTRUCTION PROJECT

PHASES	2016	2017	2018	2019	2020	2021	2022	2023
PLANNING, PROGRAMMING AND BUDGETING	User Identifies and Develops Project	Service Inserts Project in FYDP*	Service Completes Planning	Service Finalizes Program and Prepares Budget	OSD Submits Budget to the Congress			
LEGISLATION					Congressional Committees Hold Hearings & Enact Legislation			
DESIGN			Service Selects A&E** Negotiates Contract	A&E** Performs 0-35% Design. Service Reviews and Approves	A&E** Performs 35-100% Design. Service Reviews and Approves			
CONSTRUCTION						Service Solicits Bids and Awards Contract 1/ Construction		User Occupies Facility

\* Future Years Defense Program

\*\* Architect and/or Engineer

1/ Contracts may not be awarded without congressional authorization and appropriations

**VOLUME 3, CHAPTER 18: “PUBLIC ENTERPRISE AND TRUST FUNDS”****SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also denoted by [blue font](#).

Substantive revisions are denoted by an \* 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 [September 2008](#) is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Overall	Administrative: editorial changes for clarity and consistency with other chapters	Refresh
3.2 (180302)	Administrative: removed reference and sample format for the Resource Authority Funding Document, which has been replaced with either the Funds Authorization Document presented in Chapter 2 or the Annual Operating Budget presented in Chapter 19	Revision



**Table of Contents**

VOLUME 3, CHAPTER 18: “PUBLIC ENTERPRISE AND TRUST FUNDS” .....	1
1.0 GENERAL (1801).....	3
2.0 BACKGROUND (1802) .....	3
2.1 Applicable Funds (180201).....	3
2.2 The Corpus (180202) .....	3
2.3 Revenues (180203).....	3
2.4 Apportionment (180204).....	4
2.5 Apportionment of Anticipated Reimbursements (180205).....	4
2.6 Assets (180206).....	4
2.7 Contract Authority (180207).....	4
2.8 Anti-Deficiency Act (180208) .....	4
3.0 EXECUTION REQUIREMENTS (1803).....	5
3.1 Apportionment and Reapportionment (180301) .....	5
3.2 Annual Operating Budget (180302).....	5
3.3 Adjusting Component Resources (180303) .....	5
3.4 Execution Review (180304).....	5

**CHAPTER 18****PUBLIC ENTERPRISE AND TRUST FUNDS****1.0 GENERAL (1801)**

This chapter identifies the policies and procedures to guide budget execution for public enterprise and trust funds.

**2.0 BACKGROUND (1802)****2.1 Applicable Funds (180201)**

This guidance is applicable to the following Funds:

Public Enterprise Funds

National Defense Stockpile Transaction Fund

Pentagon Reservation Maintenance Revolving Fund (PRMRF)

National Defense Sealift Fund

Buildings Maintenance Fund (BMF)

Trust Funds

National Security Education Trust Fund

Department of the Navy Trust Revolving Funds \*

Department of the Air Force Trust Revolving Funds \*

Surcharge Collections, Sales of Commissary Stores, Defense

\*Exempt from apportionment

**2.2 The Corpus (180202)**

The term “corpus” commonly refers to the resources available as capital in a fund. Capital resources are provided to commence or increase the size of a fund. The initial corpus is usually provided by a direct appropriation. It forms the nucleus of resources used to acquire items needed to perform the mission of the fund. Existing resources, transferred as capitalized assets, may also serve the same purpose as an appropriation to start, increase the size, or replace significant losses of a public enterprise or trust fund.

**2.3 Revenues (180203)**

Department of Defense (DoD) public enterprise or trust funds generate revenues from the sale of goods or services to customers. Customer reimbursements replenish the corpus for resources obligated and expended to fulfill the customers’ orders.

## 2.4 Apportionment (180204)

In public enterprise or trust funds that are apportioned by the Office of Management and Budget (OMB), the ability to incur obligations is limited to the amount apportioned on the Standard Form (SF) 132, Apportionment and Reapportionment Schedule. Budgetary resources and authority available for apportionment include:

2.4.1. New budget authority (appropriations)

2.4.2. Unobligated balances available from the prior fiscal year

2.4.3. Spending authority from offsetting collections (reimbursements and other income)

2.4.4. Recoveries of prior year obligations

2.4.5. Restorations

2.4.6. Contract authority

## 2.5 Apportionment of Anticipated Reimbursements (180205)

The apportionment of spending authority (commonly referred to as “reimbursable authority”) reflects anticipated reimbursements; it does not authorize a public enterprise or trust fund to obligate its apportioned reimbursable program in excess of the funded orders received from within the Federal Government and advances received for orders outside the Federal Government.

## 2.6 Assets (180206)

Physical assets such as inventories or buildings and equipment are not budgetary resources because they do not provide a direct monetary source for outlays that liquidate budgetary transactions (obligations). Such assets, therefore, do not increase the amount of obligation authority available when calculating unobligated balances.

## 2.7 Contract Authority (180207)

Contract authority provides legal authority to enter into contracts and incur obligations *before* budgetary resources are available. Obligations incurred using contract authority may not be liquidated until funded by offsetting collections or other budgetary resources. The apportionment limits the amount of contract authority available for obligation.

## 2.8 Anti-Deficiency Act (180208)

Incurring or authorizing obligations in excess of apportioned budgetary resources is a potential violation of the Anti-Deficiency Act that must be reported in accordance with DoD Directive 7200.1. This reporting requirement applies whether or not a public enterprise or trust fund has unapportioned budgetary resources or other assets greater than the amount of the deficiency.

### 3.0 EXECUTION REQUIREMENTS (1803)

#### 3.1 Apportionment and Reapportionment (180301)

The appropriate OUSD(C) (P/B) Directorate (e.g., Revolving Funds, Investment, etc.) submits requests for public enterprise and trust fund apportionments and reapportionments to the OUSD(C) (P/B) Directorate for Program and Financial Control (P&FC), in accordance with Chapter 2.

#### 3.2 Annual Operating Budget (180302)

The appropriate OUSD(C) (P/B) Directorate issues an initial Funds Authorization Document (FAD) in accordance with Chapter 2 or an initial Annual Operating Budget (AOB) in accordance with Chapter 19 for each public enterprise or trust fund prior to the beginning of the fiscal year. To avoid potential violations of the Anti-Deficiency Act, each Component using a fund to finance activities is responsible for taking actions to maintain a positive cash balance and restrict obligations to the amount authorized in the AOB or FAD.

#### 3.3 Adjusting Component Resources (180303)

Components periodically request that OUSD(C) (P/B) adjust their obligation limits based on execution. The appropriate OUSD(C) (P/B) Directorate will evaluate the Component's request based on the merit of the justification provided, unless Congress has provided a specific limitation or other direction that would preclude making the adjustment. If approved, the OUSD(C) (P/B) will request reapportionment from OMB and, upon reapportionment, provide a revised FAD or AOB to the Component.

#### 3.4 Execution Review (180304)

The appropriate OUSD(C) (P/B) Directorate reviews the monthly SF 133, Report on Budget Execution, for each account to compare actual results with plans provided by the Components. Reviewed elements include obligations, disbursements, collections, revenue, expense, net operating results, civilian full-time equivalents (FTEs), and military strength, if applicable. When execution deviates significantly from plan, the OUSD(C) (P/B) analyst and the Component will mutually determine the management actions that may be required to bring execution back into line with the plan, or revise the plan to be more consistent with current realistic expectations.

**VOLUME 3, CHAPTER 19: “DEFENSE WORKING CAPITAL FUND”****SUMMARY OF MAJOR CHANGES**

Changes are identified in this table and also denoted by **blue font**.

Substantive revisions are denoted by an \* 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 2008 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
2.1 (190201)	Identified that this policy is applicable to other revolving funds.	Update
2.2 (190202)	Identification of sub-accounts and DWCF activities.	Update
2.3 (190203)	Clarified language used in previous version.	Update
2.4 (190204)	Clarified the terms “Customer Orders” and “DWCF Reimbursable Authority”.	Update
2.5 (190205)	Clarified and provided explanation of the terms “Obligation Authority” and “Budgetary Resource”. Clarified de-obligation of contract authority.	Update
2.6 (190206)	Further clarification of antideficiency limitations.	Update
2.7 (190207)	Further clarification of the difference between Assets and Budgetary Resources.	Revised
3.1 (190301)	Updated and provided form names and examples.	Update
3.2 (190302)	Further clarification of Contract Authority.	Update
3.3 (190303)	Incorporated language from Volume 11B Chapter 1.	Update
3.4 (190304)	Clarification of the use of budgetary resources.	Update
3.5 (190305)	Clarified the use of the SF-133.	Revised
3.6 (190306)	Additional clarification provided on depreciation.	Revised

**Table of Contents**

VOLUME 3, CHAPTER 19: “DEFENSE WORKING CAPITAL FUND” .....	1
1.0 GENERAL PROVISIONS (1901) .....	3
2.0 BACKGROUND (1902) .....	3
*2.1 Policy (190201) .....	3
*2.2 Defense Working Capital Fund (190202).....	3
*2.3 Revenues (190203) .....	4
*2.4 Customer Orders (190204) .....	5
*2.5 Obligation authority (190205) .....	5
*2.6 Antideficiency Act (190206) .....	7
*2.7 Assets (190207) .....	7
3.0 EXECUTION REQUIREMENTS (1903) .....	8
*3.1 SF-132 Apportionment (190301) .....	8
*3.2 Contract Authority (190302) .....	8
*3.3 Annual Operating Budget (190303) .....	9
*3.4 Budgetary Resources (190304).....	11
*3.5 SF-133 Report of Budgetary Execution and Budgetary Resources (190305)...	11
*3.6 DFAS Reporting (190306) .....	13
3.7 Execution Review (190307).....	15
3.8 Adjusting Component Resources (190308) .....	15
Example of an Annual Operating Budget (AOB) .....	16
Example of the (AR) 1307.....	23
Example of the (AR) 1307 Part VII.....	24

## CHAPTER 19

**DEFENSE WORKING CAPITAL FUND**

## 1.0 GENERAL PROVISIONS (1901)

This chapter provides the policies and procedures to guide budget execution for the Defense Working Capital Fund and other revolving funds where applicable.

## 2.0 BACKGROUND (1902)

## \*2.1 Policy (190201)

This guidance is applicable to the Defense Working Capital Fund (DWCF), which includes the five DoD Component Working Capital Funds (WCF) (DWCF sub-account) and all individual DWCF activities within these accounts. In addition, this chapter provides guidance for the Commissary Trust Fund, National Defense Stockpile Fund, Pentagon Renovation Maintenance Revolving Fund, and Building Maintenance Fund where applicable.

## \*2.2 Defense Working Capital Fund (190202)

2.2.1. Organization. The DWCF is established under the authority of Title 10, United States Code (U.S.C.), Section 2208. The Treasury Account Symbol for the DWCF is 97X4930. The Military Departments and Defense Agencies sub-numbered account identifiers are shown in the below table.

<u>DoD Component</u>	<u>Treasury Assigned Account No.</u>
Army	97X4930.001
Navy	97X4930.002
Air Force	97X4930.003
Defense Commissary Agency (DeCA)	97X4930.004
Defense Agencies	97X4930.005

2.2.2. DWCF Activities. The DWCF consists of individual DWCF Activities that are managed by DoD Components for providing goods and services to other DoD activities and to non-DoD activities when authorized. As of the publication date, the DWCF activities in each sub-account are:

Army	Supply; Industrial Operations.
Navy	Navy Supply; United States Marine Corp (USMC) Supply; Fleet Readiness Centers (Aviation Depots); USMC Depot Maintenance; Base Operations; Transportation; Research and Development.
Air Force	Supply, Depot Maintenance and U.S. Transportation Command.
DeCA	Resale Stocks; Operations.
Defense	Defense Logistics Agency; Defense Information Systems Agency; Defense Finance and Accounting Service.



2.2.3. Authorized Customers. Customers of the DWCF activity may be:

2.2.3.1. Any DoD command, organization, office, or other element.

2.2.3.2. Non-DoD federal government agencies.

2.2.3.3. Private parties and concerns when authorized by law, including foreign governments, and state and local governments.

2.2.3.4. Those United States manufacturers, assemblers, or developers authorized by Title 10, U.S.C., Section 2208(h) and in accordance with Title 10, U.S.C., Section 2563 and Section 4543.

2.2.4. Direct Appropriations. Direct appropriations (e.g. Procurement, Operation & Maintenance) may be used to start or fund readiness costs not related to the specific DWCF activity operating mission. Direct appropriations may also be used to increase the size of or replace significant losses in a DWCF activity. Existing resources in other accounts may be transferred to a working capital fund as capitalized assets to serve these same purposes in lieu of an appropriation.

2.2.4.1. Resources used to establish or increase the size of a working capital fund are commonly referred to as “the corpus (total investment) of DWCF.” (This is not the same as the “cash corpus” financial metric. See Volume 2B, Chapter 9, Section 090103 for DWCF cash policy.) The corpus (or total investment) is the sum of all resources used to acquire the items needed to perform the working capital fund’s mission. Financial resources to replenish the initial working capital and permit continuing operations are generated by the acceptance of customer orders.

2.2.4.2. Direct appropriations may be provided to DWCF activities for specific purposes such as war reserve materiel, overseas contingency operations, and expanded inventory requirements, or other purposes as approved by the Director, Revolving Funds. The receipt of the appropriation provides an immediate infusion of cash to the Fund Balance with Treasury (FBWT) and the appropriation amount used must be accounted for and reflected on accounting records ((AR) 1307) and budgetary reports (SF-133). The amount of the appropriation does not impact the cumulative results of operations. However, it does increase budgetary resources and the sub-account FBWT and is factored into unobligated budgetary resources brought forward from previous fiscal years. In other words, direct appropriations may be available for obligation in subsequent fiscal years.

## \*2.3 Revenues (190203)

The DWCF generates revenues predominantly from appropriations used by federal agencies to purchase goods or services. The DWCF uses the revenue collected from these “customers” to pay for the resources required to produce the specific goods or service documented on the customer order. That is, the DWCF uses resources from funded customer orders to replenish its corpus for resources expended to fulfill those customer orders.

## \*2.4 Customer Orders (190204)

Customer orders (funded requests for goods or services) provide budgetary resources necessary to finance operations for non-supply management activities, and to liquidate contract authority. Budgetary resources are recognized from customer orders that obligate budgetary resources of another federal government activity, and from cash advances from non-federal customers, to include orders from non-appropriated fund instrumentalities.

2.4.1. Customers must comply with statutory limitations and restrictions imposed on the appropriated funds charged when placing an order with the DWCF. A DWCF customer cannot use appropriated funds to do indirectly (i.e., through placement of an order with a DWCF activity) that which it is not permitted to do directly. Thus, the availability of an appropriation funding an order cannot be expanded or changed by placement with an activity financed by the DWCF.

2.4.2. Appropriated funds cited on reimbursable orders are available only for the purposes permissible under the source appropriation and remain subject to the same restrictions. The ordering activity retains primary responsibility for determining the applicability of the appropriated funds cited on the order. However, if instances arise when it is apparent that the ordering appropriation is not appropriate for the purpose provided, then the DWCF activity should return the order with a request for an applicable appropriation cite.

2.4.3. The Office of Management and Budget (OMB) circular A-11 does not restrict collections from federal sources in advance of the performance of customer orders. However, Title 10, U.S.C. Section 2208 restricts cash advances to the DWCF from federal government activities to \$1 billion and only when operating resources significantly fall below outlay requirements. See Volume 2B, Chapter 9, paragraph 090103.

## \*2.5 Obligation authority (190205)

Obligation authority is the authority to incur costs, on behalf of the federal government, that will result in a disbursement from the FBWT.

2.5.1. The OMB apportions authority to obligate to the OUSD(C) on an SF-132 “Apportionment and Reapportionment Schedule.” The authority to incur obligations is limited to the amount of authority approved for obligation during the budget review as amended by events during the year of execution. The OUSD(C) Revolving Funds Directorate prepares and submits the SF-132 to the OMB for approval of annual obligation authority required for operating a revolving fund. The approved apportionment restricts the authority to occur obligations and is the source document for the Annual Operating Budget (AOB) issued by OUSD(C) Revolving Funds. Budgetary resources available for apportionment include:

2.5.1.1. New budget authority (direct appropriations).

2.5.1.2. Unobligated balances brought forward (i.e., unfilled customer orders).

2.5.1.3. Spending authority from offsetting collections (i.e., Reimbursements for

goods and services provided and/or other income).

2.5.1.4. Recoveries of prior year obligations.

2.5.1.5. Restorations.

2.5.1.6. Contract authority.

2.5.2. When an activity receives budgetary resources from more than one source (spending authority from offsetting collections, direct appropriation, contract authority), the receiving activity must maintain records that will enable it to control and report separately the transactions relating to each type of source (per OMB Circular A-11). Budgetary resources may be received at any level of an organization from the individual activity up to the Departmental level.

2.5.3. Federal customer orders and cash advances generate spending authority from offsetting collections (Reimbursable Authority). These budgetary resources are apportioned from the OMB to DWCF non-supply management activities for operating costs. The acceptance of a customer order requires that the performing entity agree in writing to perform the work for the customer entity.

2.5.3.1. The apportionment of reimbursable authority applies to DWCF (97X4930) non-supply activities and all other DoD Revolving Funds.

2.5.3.2. The apportionment of reimbursable authority is considered “anticipated” and a DWCF non-supply management activity may not obligate more than the total amount of orders received from Federal entities plus advances received for orders from authorized entities external to the Federal government (i.e. state, local, and foreign governments). Specific authorization to obligate above orders received and cash advances may be approved by a signed annual operating budget (AOB) if other resources are available at the DWCF sub-account level. A DWCF activity should not obligate above all resources available to that specific entity without prior approval of the Director, Revolving Funds, to ensure that budgetary resources are available at the sub-account level.

2.5.3.3. The anticipated reimbursable program authority does not provide obligation authority; therefore, a non-supply activity should not obligate more than what has been accepted in customer orders and other financing resources available. Recording anticipated reimbursable program authority only documents that reimbursable orders will be accepted. The accepted reimbursable order provides obligation authority. The total amount of anticipated reimbursable authority is recorded on the AOB for reconciling purposes.

2.5.3.4. The AOB does not restrict the amount of reimbursable orders that can be accepted. Reimbursable orders may exceed the anticipated amount without recording a negative anticipated order on the SF-133. Activities should request a new AOB when customer orders in the year of execution are expected to exceed the anticipated amount or obligations are expected to exceed the current authorization.

2.5.4. Contract authority is the legal authority to enter into contracts and incur obligations *before* budgetary resources are available. With respect to DWCF budget execution, contract authority is only used in supply management operations and capital investment programs. Contract authority must be apportioned. For supply management operations, if reimbursements from offsetting collections exceed apportioned contract authority, the difference cannot be obligated unless additional contract authority is issued by OMB because such operations are not provided automatically apportioned reimbursable authority. This may be characterized as either an unapportioned balance of a revolving fund or a restrictive withholding. The unapportioned balance preserves a portion of the fund's capital so it may continue to revolve or represents those resources not scheduled for obligation within a fiscal year. Prior year de-obligations of contract authority are automatically re-apportioned to the DWCF in the current year. Prior year de-obligation of contract authority used for a capital investment program (CIP) may only be used to cover additional costs in programs for that specific fiscal year and may not be used to cover additional current year costs unless approved in writing by the Director, Revolving Funds.

## \*2.6 Antideficiency Act (190206)

The incurring of obligations (or authorizing the incurrence of obligations) in excess of apportioned budgetary resources and other financing resources must be reported as a potential violation of the Antideficiency Act, as required by Volume 14. This requirement applies whether or not a revolving fund activity has unapportioned budgetary resources or nonbudgetary assets (e.g. inventory) greater than the amount of the deficiency.

2.6.1. Commitments for goods or services to be obligated in the following year may be incurred in excess of apportioned budgetary resources only if obligations are not incurred in excess of apportioned budgetary resources. There is no restriction on commitment amounts for DoD revolving fund activities.

2.6.2. The AOB also includes administrative restrictions on the use of obligation authority specific to that activity's operation.

## \*2.7 Assets (190207)

Physical assets such as inventories or buildings and equipment are not considered budgetary resources because they do not provide a direct monetary source for outlays that liquidate budgetary transactions (obligations). Such assets, therefore, do not increase the amount of obligation authority available when calculating unobligated balances.

2.7.1. Changes in inventory valuation and unexpected gains in inventory (such as items being found on an installation) do not generate budgetary resources but are currently accounted for in the Net Operating Result (NOR) on the (AR) 1307 report. The NOR for budget purposes must reconcile budgetary resources and claims against those resources (obligations).

2.7.2. Unobligated balances are the net of total budgetary resources (Customer Orders and apportioned Contract Authority) less claims against budgetary resources (Accounts Payable and Undelivered Orders). This is not the same as the "Net Position" or "Equity" calculation in financial

accounting (total assets less total liabilities). In other words, the available budgetary resources for obligation are equal to the difference between budgetary resources and any claims against these budgetary resources, plus any financing resources (such as unencumbered cash balances). Obligations for the procurement of inventories and the CIP must be recognized, recorded, and reported even if they may be expensed in a subsequent fiscal year.

### 3.0 EXECUTION REQUIREMENTS (1903)

#### \*3.1 SF-132 Apportionment (190301)

The SF-132 provides the legal authority to incur obligations against the receipt of customer orders or contract authority in anticipation of receipt of customer orders. The OUSD(C) Revolving Funds is responsible for five apportionment documents: DWCF (97X4930), the National Defense Stockpile Transaction Fund (97X4555), the Pentagon Renovation Maintenance Revolving Fund (97X4950), the Building Maintenance Fund (97X4931) and the Surcharge Collections, Sales of Commissary Stores, Defense Trust Fund (97X8164). Details and explanations on preparing the SF-132 can be found in OMB Circular A-11 Preparation, Submission and Execution of the Budget, Section 121.

3.1.1. The DWCF is apportioned new budget authority in the form of direct appropriations, unobligated balances brought forward, spending authority from offsetting collections and contract authority. The FBWT is not apportioned because the financing resources have already been encumbered by obligations and the unencumbered balance is factored into unobligated balances brought forward.

3.1.2. The other four revolving funds (listed in section 190101 of this chapter) are apportioned spending authority from offsetting collections and unobligated balances brought forward.

#### \*3.2 Contract Authority (190302)

The initial apportionment of contract authority for a fiscal year is typically the operating budget for supply management activities, and for both supply and non-supply management activities is the CIP reflected in the budget year column of last year's President's budget. In other words, the October 1 AOB will reflect the BY column submitted the previous February.

3.2.1. Supply management activities receive contract authority for a variability target, which represents an amount of contract authority to be held in reserve by the OUSD(C) to ensure continuity of operations for fluctuations in materiel costs and/or increased customer orders. The OUSD(C) provides requested adjustments from the September initial apportionment to OMB in February/March, reflecting revised estimates displayed in the current year column of the President's budget submission most recently provided to Congress. The OUSD(C) may also request other adjustments that reflect significant changes experienced in budget execution.

3.2.2. Contract authority is available for obligation within the fiscal year for which it is provided. By definition, contract authority is unfunded and, therefore, obligations incurred

through use of contract authority may not be liquidated (i.e., paid) until funded by offsetting collections or other resources credited to the DWCF. Contract authority does not authorize outlays; it is reported on the SF-133 to ensure obligations do not exceed apportioned amounts from OMB. Budgetary resources should be sufficient at the DWCF activity level to ensure disbursements are funded.

### \*3.3 Annual Operating Budget (190303)

The Revolving Funds Directorate issues initial AOBs for each Component's DWCF activities prior to the beginning of the fiscal year. A sample is shown later in this chapter. The AOB identifies an operating budget, operating results, unit cost(s) targets and capital investment limitations (subject to 31 U.S.C. 1517) for each DWCF activity.

3.3.1. Cash is centrally managed by the Army, Navy, Air Force, Defense Commissary Agency, and the Defense Logistics Agency. Each is responsible for taking actions to remain solvent and allow operations (disbursements) continue. It is a potential violation of the Antideficiency Act (31 U.S.C. 1517) if the FBWT is below zero at the sub-account level.

3.3.2. Non-supply management activities shall maintain a positive budgetary resource balance (i.e. obligations shall not exceed budgetary resources). Obligations exceeding total budgetary resources available to non-supply management activities, and obligations exceeding issued contract authority on the AOB, are potential violations of the Antideficiency Act (31 U.S.C. 1517).

3.3.3. Cash balances may be used when negative operating results are authorized on the AOB or by action of the OUSD (C) Revolving Funds Directorate. However, the AOB of a DWCF activity does not authorize it to use cash balances associated with another DWCF activity financed within the same DWCF sub-account. It is the responsibility of the DoD Component to ensure that adequate financing or budgetary resources have been allocated to a specific DWCF activity, and to obtain timely authorization for negative operating results for non-supply management activities.

3.3.4. Administrative Restrictions and Limitations. In addition to statutory restrictions, budget authority may be apportioned or otherwise further restricted through administrative action.

3.3.4.1. An administrative limitation cannot be used to change or eliminate a statutory restriction. An administrative action can only further restrict the purpose, amount, or time for which budgetary resources may be used. DoD Components must adhere to an administrative division of budgetary resources and/or a subdivision of budgetary resources provided to a DWCF activity.

3.3.4.2. If an administrative limitation is imposed, obligations incurred must remain below the limitation even though the limitation may be lower than the total budgetary resources that otherwise would be available. Administrative limitations may be provided in various formats but must be clearly stated in writing and signed.

3.3.5. In the event that budgetary resources available to a DoD Component for financing a specific DWCF activity are not sufficient, a DWCF manager shall not assume that sufficient budgetary resources exist elsewhere within the DWCF sub-account to fund obligations in excess of resources available. Rather, the manager for the DWCF activity shall request, in writing, from the Director, Revolving Funds an increase in authority to incur obligations and shall defer additional obligations until resources are sufficient to fund them.

3.3.6. Segregation of Budgetary Resources. When an 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. For example, the SF-133 should break out total obligations between Operating and CIP for depot maintenance activities. All obligations should not be reported under a single line as “reimbursable.”

3.3.7. Claims Against Budgetary Resources. A DWCF entity should have two primary types of financial accounting records--proprietary and budgetary. The balance of budgetary resources available for obligation can be determined only from budgetary accounts. Proprietary accounting records, by themselves, are not sufficient to determine budgetary resources.

3.3.7.1. Non-budgetary assets, such as inventories of stock for sale, are not a budgetary resource. Additionally, a positive FBWT does not necessarily denote availability because the balance may be entirely encumbered by obligations.

3.3.7.1.1. A fund balance, although present, may have claims against it (accounts payable for example) and is, therefore, not available for additional obligation.

3.3.7.1.2. Additionally, claims against budgetary resources, such as undelivered orders and unpaid accrued expenditures must factor into the determination of unobligated balances and, therefore, budgetary resources available for obligation.

3.3.7.1.3. Similarly, budgetary accounts may not represent a budgetary resource available for obligation. For example, anticipated customer orders are not budgetary resources available for obligation.

3.3.7.2. Administrative restrictions or other withheld amounts limit the balance of budgetary resources available for obligation. Budgetary resources available for obligation can be determined from data required to be reported on the SF-133.



### \*3.4 Budgetary Resources (190304)

The reconciliation of budgetary resources is reported to DWCF activities monthly on the SF-133 Report on Budget Execution and Budgetary Resources. Details on the preparation and explanation of the SF-133 can be found in [Appendix F](#) of OMB Circular A-11 Preparation, Submission and Execution of the Budget.

3.4.1. Earned Reimbursements. Earned reimbursements are the amount of customer orders that have been filled. 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.

3.4.2. Obligations should not be authorized or incurred in a DWCF activity unless available resources (apportioned contract authority, direct appropriations, or accepted customer orders) exceed the proposed obligation. Obligations that exceed apportioned or accepted amounts may result in a violation of the Antideficiency Act. Such violations are reportable to the President and the Congress, and can involve criminal prosecution for the responsible person or people.

3.4.3. A non-expenditure transfer moves budgetary resources from one budget account, appropriation, or fund to another. 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.

### \*3.5 SF-133 Report of Budgetary Execution and Budgetary Resources (190305)

3.5.1. Mandatory and Discretionary Spending. The DWCF uses both mandatory and discretionary spending accounts. Mandatory spending is associated with apportioned contract authority and discretionary spending is associated with reimbursable authority. The format for the SF-133, outlined in OMB Circular A-11, breaks out these types of funding into the respective categories. Although obligated contract authority is considered mandatory, collections that liquidate contract authority are considered discretionary. Likewise, since the source of the FBWT is from discretionary funding, the fund balance itself is also considered discretionary.

3.5.1.1. Line 1000. Unobligated balance brought forward - For non-supply activities, this line represent the amount of work still required to be performed against outstanding customer orders and unencumbered cash balances. Unobligated contract authority will be cancelled at the end of the fiscal year. Contract authority brought forward is always zero for both Supply operations and the CIP. Unobligated balances are apportioned for non-supply DWCF activities and unobligated direct appropriations. Obligated contract authority remains in USSGL 4139 until a collection is posted against the balance, which allows for the disbursement.

3.5.1.2. Line 1021. Recoveries of prior year obligations actual - The actual amounts of prior year obligations should be reported on this line and not included in Line 2104,

Obligations Incurred. If current year recoveries cannot be separated from prior year recoveries, the total amount of recoveries should be reported on Line 1021 and not included in Line 2104.

3.5.1.2.1. Recoveries of prior year obligations are automatically re-apportioned for DWCF activities.

3.5.1.2.2. Prior year contract authority that is deobligated and not re-obligated by September 30 automatically expires.

3.5.1.3. Line 1750. Spending Authority from Offsetting Collections- Reimbursable authority is the sum of planned customer new orders plus the change in uncollected customer orders for industrial and service activities.

3.5.1.4. Line 1910. Total Budgetary Resources- Defined as the sum of spending authority (1750), contract authority (1640), direct appropriations (1160), PY deobligations (1021), and PY unobligated balance (1000), less collections to liquidate contract authority (depreciation) (1826) received by that activity. For supply activities, it represents the sum of contract authority apportioned (1640), the amount of PY deobligations earned (1021), and any direct appropriations received (1160).

3.5.1.5. Line 1640. Contract Authority- Displays apportioned contract authority. This includes contract authority for prior year capital programs that is separately displayed on the AOB. These amounts are segregated on the AOB for administrative purposes.

3.5.2. Availability Restrictions. As noted in the preceding paragraphs, budget authority is available for obligation only in accordance with purpose, amount, and time 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. Other events reported on the SF-133, "Report on Budget Execution and Budgetary Resources," further restrict the availability of budgetary resources. The OMB Circular A-11, "Instruction on Budget Execution," includes an explanation of those events and identification of the SF-133 lines on which they are reported.

### 3.5.3. Definitions of Budgetary Indicators

3.5.3.1. Line 3200. Obligated balance, net, end of period- Represents an unrealized budgetary position of a specific DWCF activity based on pending transactions and unexecuted orders.

3.5.3.1.1. This line normally will have a negative balance for industrial and service type activities. A negative balance indicates there are sufficient resources available to cover future pending transactions. For industrial and service type activities, Line 3200 indicates the amount of work needed to be performed to complete accepted customer orders.

3.5.3.1.1. Supply activities should typically have a positive Line 3200 balance because contract authority allows for the obligation of resources in advance of available

funding. For supply activities, Line 3200 indicates the amount of future customer orders and/or appropriated funding required for liquidating future potential transactions.

3.5.3.2. Line 3090. Uncollected Federal Order- Represents accounts receivable and unfilled customer orders (Carryover/Backorders). These represent uncollected customer payments from Federal Sources and are future collections to a DWCF activity.

3.5.3.3. Line 3050. Unpaid Obligations- Represents budgetary claims in the form of accounts payable and undelivered orders because they represent future disbursements.

3.5.4. Appendix F of OMB Circular A-11 displays a detailed example of the SF-133 format. In addition, appendix F covers the format for the SF-132.

### \*3.6 DFAS Reporting (190306)

The DFAS Accounting Report (AR) 1307 is the official internal document for financial accounting and is the source document for the annual financial statements. The following are clarifications on how the (AR) 1307 relates to the reconciliation of budgetary authority.

3.6.1. Statement of Financial Position and Statement of Cash Flows. All amounts shown on these statements should reconcile to their corollaries on the SF-133. The accompanying footnotes must explain any amounts that do not reconcile.

3.6.2. Statement of Operations. Clarifications on proprietary accounting terminology and budget formulation terminology are provided [here](#).

3.6.2.1. Expense. Expenses are the cost of goods and services used in the process of earning revenue. This is not synonymous with the budgetary term “obligation.” Obligations occur before an expense and require a budgetary resource at the time of obligation. Thus, obligations typically exceed expenses. Capital purchases are “expensed” via depreciation and inventory is expensed when it is sold.

3.6.2.2. Cost. The term “cost” may refer to either an obligation or expense depending on the circumstances. To clarify, an “obligation” is an unrealized cost that requires a budgetary resource before an outlay of cash occurs, whereas an “expense” is a realized cost (an actual bill has been received or inventory sold). The reconciliation of budgetary resources relies upon recognizing obligations as “costs” to ensure that budgetary resources are in place to cover any purchases that will not be expensed until subsequent fiscal years. The (AR) 1307 does not display budgetary resources or obligations. Conversely, the SF-133 does not display expenses. The reconciliation of these reports is key to ensure efficient and effective management across the DWCF.

3.6.3. Cost of Goods Sold (COGS). The (AR) 1307 COGS represents the historical cost of goods to produce revenue. Further, historical cost does not include inflation. Therefore, the amount of budgetary resources required to purchase inventory and produce goods and services may have a separate and distinctly higher value than the accounting COGS.

3.6.4. Depreciation. The accounting purpose for depreciation is to [realize](#) costs incurred as an asset is consumed over its useful life. It is based upon the purchase price of the asset and the length of the item's useful life [as described in Volume 4 Chapter 6 of the DoD FMR](#).

3.6.4.1. Depreciation is the recognition of an expense in the current period for portion of a capital outlay (that required a budgetary resource) that occurred in a previous period. Thus, depreciation for budgetary purposes (through inclusion in stabilized rates) results in the recoupment of cash that was used to acquire assets to replace those wearing out. Recovery of depreciation is a financing source for the DWCF Capital Investment Program (See also Volume 2B, Chapter 9, Section [090104](#)).

3.6.4.2. Depreciation recovery may not, by itself, be sufficient to finance the CIP. In those instances, an additional element identified as a "Capital Surcharge" may be added to the stabilized rates/prices to finance the incremental difference. The capital surcharge is not an expense and is not displayed on the Statement of Operations. A capital surcharge is one of many elements that may be used in computation of the stabilized billing rate/price. The stabilized billing rate/price, when billed, is recorded as revenue. Since there is no counteracting expense for a capital surcharge, it may result in a positive Net Operating Result (NOR) on the (AR) 1307. However, for budgetary purposes, an adjustment will be made below the NOR calculation in order to ensure budgetary resources are available for the cash outlays required.

3.6.4.3. For budgetary purposes, depreciable assets are purchased with contract authority in advance of appropriated funding. Depreciation, for budgetary purposes, is used to describe collection of budgetary resources to offset the contract authority used to purchase the item. This recovery period may be shorter than the useful life of the item depending on the budgetary resources required by an activity.

3.6.5. Net Operating Result (NOR)/Accumulated Operating Results (AOR). The NOR/AOR for budgetary purposes may be different than the (AR) 1307 NOR/AOR. The fund manager must develop a methodology that is representative of the budgetary NOR/AOR. This methodology is typically reviewed during quarterly execution reviews with OUSD(C) Revolving Funds and the [Integrated Program/Budget Review](#).

3.6.6. Part VII Inventory Management Report. For supply activities, the Part VII of the (AR) 1307 provides budgetary, accounting and inventory data that can be used for the development of internal benchmarks and metrics that indicate the operational effectiveness and efficiency of the activity. Fund managers should coordinate with OUSD(C) Revolving Funds for clarification on what should be displayed on quarterly execution briefings. All amounts depicted on the Part VII that are also displayed elsewhere on the (AR) 1307 or SF-133 should reconcile.

### 3.7 Execution Review (190307)

The Revolving Funds Directorate receives a quarterly execution briefing and a Fund-28 Execution Performance Quarterly Analysis (see Volume 2B, Chapter 9, Section 0903) from each DWCF activity. Each activity's results of operations (through the latest available quarter) are formally reviewed by OUSD(C) leadership to determine the actual results of operation in comparison with plans for disbursements, collections, revenue, expense, net operating results, and unit costs. These briefings typically occur in February, May, and August. The purpose of the review is to determine if financial operations are proceeding according to plan and if there are significant deviations from the plan to actual execution. Management actions may be required to either bring execution back into line with the plan or to revise the plan to be consistent with current and more realistic financial expectations.

### 3.8 Adjusting Component Resources (190308)

Based on budget execution, Components periodically request the Revolving Funds Directorate to adjust their targets and/or capital budget limitation. Unless the Congress has provided a capital purchase limitation or other direction that would preclude making a requested adjustment, a Component's request will be evaluated and approved (reflected in a revised AOB) or disapproved based on the merit of the justification provided.

## Example of an Annual Operating Budget (AOB)

NAVY WORKING CAPITAL FUND			
NAVY DEPOT MAINTENANCE - FLEET READINESS CENTERS (FRC)			
FISCAL YEAR <u>2013</u> COST AUTHORITY			
ACTIVITY Budgetary Resources	OPERATING BUDGET		
	Unit Cost (\$)	Number of Units (000)	Total Cost Approved (In Millions)
<b>OPERATING BUDGET</b>			
PY Unobligated Balance (SF-133 Line 1000)			\$705.484
Total Spending Authority from offsetting collections (Includes Depreciation) (SF-133 Line 1750)			\$2,253.249
Collections applied to liquidate Contract Authority (Depreciation) (SF-133 Line 1826)			\$-41.852
<b>Total Operating Reimbursable Authority (Lines 1000+1750+1826) <u>1/</u></b>			<b>\$2,916.881</b>
<b>Capital Obligation Authority (SF-133 Line 1640) <u>2/</u></b>			
<b>FY 2007</b>			\$ 0.080
<b>FY 2009</b>			\$ 0.100
<b>FY 2010</b>			\$ 0.866
<b>FY 2011</b>			\$ 1.770
<b>FY 2012</b>			\$ 8.159
<b>FY 2013</b>			\$ 43.537
<b>TOTAL</b>			<b>\$ 54.512</b>
<b>NET OPERATING RESULT: (NOR GOAL) <u>4/</u></b>			\$ -6.400
<b>ACCUMULATED OPERATING RESULT: (AOR GOAL) <u>4/</u></b>			\$ 7.200
<b>Authorization Number:</b>	<b>Date:</b>	<b>Approved:</b>	
FRC-13-09			

## 1.0 LIMITATIONS AND GUIDANCE

1.1 **TOTAL OPERATING REIMBURSABLE AUTHORITY:** The estimate of reimbursements expected to be **earned** during the current fiscal year, subject to Office of Management and Budget apportionment, other authorized reimbursements, and/or other income for which current fiscal year obligational authority is automatically established based on customer orders received. Negative anticipated reimbursements will not be recorded on the SF-133. Advances are required from non-federal orders. Specific prior approval of this office is required for additional budgetary resources beyond the amount authorized. Direct Reimbursable Outputs are limited to the actual cost incurred up to the limit of obligation authority received on funded customer orders.

1.2 The amount listed for Capital Obligation Authority is the limitation subject to the provision of Section 1517 of 31 U.S.C., the Anti-Deficiency Act. Obligations will not be incurred beyond the total approved amount shown for each year for the Capital Budget (as modified by reprogramming per authority provided in DoD 7000.14R, DoD Financial Management Regulation, Volume 2B, Chapter 9) without the specific prior approval of this office.

1.3 **TOTAL BUDGETARY RESOURCES (SF-133 Line 1910):** The amount authorized to be reported on line 1910 of the SF-133 is the sum of Reimbursable Authority, Contract Authority, and Recoveries of prior year unpaid obligations (SF-133 line 1021).

1.4 **AOR & NOR:** The Accumulated Operating Result (AOR) represents the cumulative impact of gains and losses on total operations of the activity group since the inception of the fund. The stated financial goal of the Working Capital Fund is to achieve a zero AOR over time. The AOR, along with the Net Operating Result (NOR), provide primary financial management targets and will be used in conjunction with other performance metrics to assess the overall operational effectiveness of the activity group. For each Activity Group, the Component is responsible for preparing a monthly Revenue and Cost Plan. Formal First Quarter and Mid-Year Joint Execution Reviews of this plan will be conducted by this office in February and May 2013.

1.5 **CASH MANAGEMENT:** Cash management remains the responsibility of the Navy. This cash management responsibility entails taking action to maintain a positive cash balance for Navy Activity Groups, in total, at all times. Failure to maintain a positive balance will result in a statutory violation of Section 1517, of 31 U.S.C., the Anti-Deficiency Act, by the Navy. The Component may require DFAS to vary its billing cycle or advance bill, when it is deemed necessary to do so, in order to maintain cash solvency. The magnitude, duration, and reason for advance billing by business area must be reported by the initiating Component to the Director, Revolving Funds within 15 calendar days of the end of the month in which the advance billing took place. In exercising the authority to advance bill orders, the Department of the Navy must ensure that, in total, for all Activity Groups, advance billing for services provided or work performed by the Department of Navy's Working Capital Fund does not exceed \$200 million. Advance billing in excess of \$200 million, cumulative, is prohibited during the fiscal year. The Component remains responsible for compliance with monthly execution of collections and disbursements in accordance with the monthly approved plan.



1.6 UNIT COST: The total cost for those outputs identified by a unit cost is predicated on a projected level of workload. Components may request increases in Operating Obligation Authority based on an increase in the number or value of orders accepted. Conversely, if actual work load declines below levels anticipated, appropriate reductions will be made to the total costs shown in this document.

1.7 PERFORMANCE GOALS: Performance effectiveness measures identified in the FY 2014 President's Budget Submission, FY 2013 column include:

<u>Measure</u>	<u>Goal</u>
Schedule Conformance:	
Aircraft	>90%
Components	>95%
Engines	>90%
Inventory turnover ratio	>2.4
New Orders	\$2,130.1 million
Operating Results:	
NOR	-\$6.4 million
AOR	\$7.2 million

1.8 OTHER:

1.8.1. Base Realignment and Closure Program expenses may be incurred prior to receiving an allocation of BRAC funding. However, all costs properly charged against the BRAC account must be reimbursed with BRAC funds. DWCF funds may not be expended prior to complying with the notification requirements imposed by law with respect to the obligation of BRAC funds. All costs incurred by DWCF activities to carry out BRAC must be reimbursed from the BRAC account prior to the end of the fiscal year in which costs were incurred.

1.8.2. This document requires that collections for **\$41.852 million** in budgeted depreciation are applied to unliquidated contract authority (account 4139) and are not used as additional operating authority.

1.8.3. Costs of civilian separation incentives, not related to BRAC, are to be financed by the Navy Working Capital Fund.

1.9 CONTRACT AUTHORITY FOR CAPITAL INVESTMENTS: This document provides **\$54.512 million** in contract authority to the Fleet Readiness Centers (NADEPS) activity during this fiscal year for Capital Investment Program (CIP) requirements. Of this amount, there is **\$10.975 million** reapportioned for CIP requirements from prior fiscal years. In addition, recoveries of prior year capital obligations increase FY 2013 authority in the amount of recoveries. However, the Director for Revolving Funds must approve use of any recovered capital authority. Instructions for reporting contract authority withdrawn on the SF 133 Report on Budget Execution are provided below:

1.9.1. The capital program collections are anticipated to be **1.96 percent** of customer orders during the year, up to a fiscal year maximum of **\$41.852 million**. The collection percentage is based on budgeted depreciation costs and capital cash surcharges included in prices/rates. The maximum amount financed above will recover the total capital cash requirements projected for the fiscal year.

1.9.2. The collected amount for the capital program will be moved from operating collections into capital collections and will liquidate previously realized (obligated) capital contract authority. Unused (unobligated) contract authority is removed at the end of the fiscal year; and is only available for within scope adjustments as provided below. Realized/obligated contract authority will remain accounted for and carried forward until it is liquidated by capital collections or de-obligated. Thus, cumulative unliquidated capital contract authority outstanding for the capital program equals the total cumulative capital obligations for all years less the cumulative capital collections for all the years since the inception of the capital program.

1.9.3. At fiscal year end, the amount collected will be compared to the amount obligated. If the amount collected requires to be adjusted upward to a maximum of 100 percent of obligations to maintain cash corpus requirements, an adjustment will be made in the rate development. If cumulative collections exceed cumulative outlays and cumulative obligations because of deobligations, a negative capital surcharge may be used to return the excess collections so long as cash corpus requirements are maintained.

1.10 CONGRESSIONAL DIRECTION: Funding released in this and subsequent documents is to be executed only in accordance with all applicable provisions of any Continuing Resolution(s), the National Defense Authorization Act for Fiscal Year 2013 (P.L. 112-239), the Consolidated and Further Continuing Appropriations Act, 2013 (P.L. 113-006), and any supplemental appropriations, when enacted.

1.11 DEFENSE BUSINESS SYSTEM MODERNIZATION: In accordance with the Ronald W. Reagan National Defense Authorization Act for FY 2005, and Department of Defense policy, modernization and enhancement to a system that costs more than \$1 million, across the FYDP, must be approved by the Investment Review Board and Defense Systems Business Management Committee prior to obligating funds. This does not include obligations to maintain current services.

## 2.0 CAPITAL BUDGET PROGRAM

The capital budget is to be executed based on the approved annual programs contained in the President's Budget as modified by approved budget decisions. Proposed deviations from the President's Budget, that are consistent with reprogramming criteria, must be identified to the Director for Revolving Funds during the schedules execution reviews.

The capital budget will be executed in accordance with the Financial Management Regulation. Effective April 4, 2007, the Defense Working Capital Funds Capital Investment Program (CIP) Budget expense/investment threshold (FMR Volume 2B Chapter 9) increased from \$100,000 to \$250,000 for all categories except Minor Construction. The National Defense Authorization Act for Fiscal Year 2011 (P.L. 111-383), dated January 7, 2011, Section 1403 increased the CIP Minor Construction threshold from \$100,000 to \$250,000. The capital budget authority shown in Section 9 of this document reflects this change. Minor Construction projects between \$100,000 and \$250,000 that were obligated prior to January 7, 2011 will be executed under the previous threshold. All new Minor Construction obligations must comply with the \$250,000 CIP threshold. Note that, although the capitalization threshold increased, assets between \$100,000 and \$250,000 will still be recorded in Department's financial reports as fixed assets and depreciated in accordance with the FMR Volume 11B.

## 3.0 CAPITAL PROJECT WITHIN SCOPE OBLIGATION ADJUSTMENTS

Capital obligation adjustments must be charged to the program year cited for the original project. Capital obligation authority can be provided for any program year for within scope increases if the following conditions are met: (1) the original program year must have sufficient un-obligated budget authority (original program plus program adjustments less actual obligations) to accommodate the adjustment, and (2) the total obligations, including both new obligations and all adjustments, cannot exceed the total obligation authority for all program years issued on the AOB. If these conditions are met, this AOB automatically provides the authority to obligate prior year program funds for within scope capital adjustments of less than \$100,000. Since the adjustments must cite the original program year, the obligation authority for a currently issued program year must be reduced to offset the adjustments if sufficient funding for the original program year is not available on the AOB. The offset must be sufficient to limit total capital obligations during the fiscal year to the total obligation authority issued on the AOB. Subsequent AOBs may restore this authority by issuing the prior year program funds if appropriate. In addition, this document provides for a revised reprogramming threshold. Components may, without prior approval of this office, reprogram funds up to \$3 million between approved capital budget projects for minor construction and non-ADP equipment and reprogram up to \$1 million between ADP and software projects in a fiscal year program. Deviations from the President's Budget that are consistent with the reprogramming criteria noted above, must be identified to the Director for Revolving Funds within 30 days of occurrence or during the scheduled execution reviews, whichever occurs first. The approved project list for capital budget obligations follows:

(\$ Millions)

**FY 2010 Program**

MINOR CONSTRUCTION	<b>0.066</b>
Replacement Capability	0.066
Non-ADPE & TELECOM EQUIPMENT	<b>0.800</b>
Replacement Capability	0.800
<b>FY 2010 Program Year Total</b>	<b>0.866</b>

**FY 2011 Program**

ADPE & TELECOM EQUIPMENT	<b>0.092</b>
Computer Software	0.067
Telecommunications	0.025
Non-ADPE & TELECOM EQUIPMENT	<b>0.897</b>
Replacement Capability	0.897
MINOR CONSTRUCTION	<b>0.781</b>
Replacement Capability	0.178
Production Capability	0.603
<b>FY 2011 Program Year Total</b>	<b>1.770</b>

**FY 2012 Program**

Non-ADPE & TELECOM EQUIPMENT	<b>5.515</b>
Replacement Capability	1.642
Production Capability	3.873
ADPE & TELECOM EQUIPMENT	<b>1.362</b>
Computer Software	0.307
Other Computer and Telecom Support Equipment	1.055
MINOR CONSTRUCTION	<b>1.282</b>
Replacement Capability	0.840
Productivity Capability	0.442
<b>FY 2012 Program Year Total</b>	<b>8.159</b>

**FY 2013 Program**

Non-ADPE & TELECOM EQUIPMENT	<b>39.057</b>
Replacement Capability	31.964
Productivity Capability	7.093
 ADPE & TELECOM EQUIPMENT	 <b>1.000</b>
Computer Software	1.000
 MINOR CONSTRUCTION	 <b>3.480</b>
Replacement Capability	3.480
 <b>FY 2013 Program Year Total</b>	 <b>43.537</b>
 <b>Grand Total</b>	 <b>\$54.512</b>

Example of the (AR) 1307

**Statement of Operations**

	TOTAL	Industrial Operations	Supply Management	Component Level Adj.
<b>PART I</b>				
<b>STATEMENT OF OPERATIONS</b>				
<b>REVENUES AND FINANCING SOURCES:</b>				
1. Appropriated Capital Used	\$ 627,790	0	627,790	0
2. Revenue from Sales of Goods and Services	\$ 17,390,570	5,278,338	12,112,233	0
a. Gross Revenue from Sales	\$ 17,725,235	5,278,249	12,446,986	0
b. Minus: Credits Allowed on Sales	\$ (334,664)	89	(334,753)	0
3. Other Revenue and Financing Sources	\$	7,821	53,935	0
4. Total Revenue and Financing Sources	\$ 18,080,116	5,286,159	12,793,957	0
	0			
<b>EXPENSES:</b>				
5. Program or Operating Expenses (Supply and Service Activities)	\$ 3,282,995	0	3,282,995	0
6. Cost of Goods and Services Sold	\$ 9,781,365	5,391,045	4,390,320	0
7. Other Losses	\$ 1,758,676	12,808	1,745,868	0
8. Total Expenses	\$ 14,823,036	5,403,854	9,419,182	0
<b>NET OPERATING RESULTS:</b>				
9. Revenue Less Cost Incurred Before Extraordinary Items	\$ 3,257,080	(117,695)	3,374,775	0
10. Plus (Minus) Extraordinary Items	\$ 0	0	0	0
11. Net Operating Results (NOR)	\$ 3,257,080	(117,695)	3,374,775	0
<b>NET OPERATING RESULTS FOR RATE PURPOSES:</b>				
12. Plus (Minus) Deferred Operating Results and Depreciation(From Part V)	\$ 0	0	0	0
13. Recoverable Net Operating Results	\$ 3,257,080	(117,695)	3,374,775	0

## Example of the (AR) 1307 Part VII

**PART VII  
INVENTORY MANAGEMENT REPORT**

	<b>Current Year To Date</b>
A. Customer Orders Accepted - Cumulative	12,585,738
B. Gross Reimbursable Sales of Property, Inventory, & Services - Cumulative	12,428,285
C. Unfilled Customer Orders	1,543,045
D. Customer Returns - Credits Granted - Cumulative	2,314,635
E. Net Reimbursable Sales of Property - Cumulative	10,143,261
F. Purchases at Cost (LAC) - Cumulative	4,612,884
G. Obligations - Cumulative	9,570,803
H. Obligations - Reimbursable	9,554,987
I. Obligations - Augmentation - Cumulative	8,428
J. Obligations - Mobilization - Cumulative	6,979
K. Outstanding Commitments	0
L. Inventories - Stock on Hand	32,107,933
M. Other Inventories	368,157
N. Inventories in Transit	464,280
P. Total Inventories	32,940,369
Q. Customer Returns Without Credit - Cumulative	10,340,292
R. Transfers to Reutilization and Market - Cumulative	2,830,896
S. Material Returns to Suppliers - Cumulative	-138,935
T. Undelivered Orders	7,652,382
U. Fund Balance with Treasury	0
V. Funds Collected - Cumulative	10,107,103
W. Funds Disbursed - Cumulative	8,928,875
X. Accounts Receivable - Intragovernmental	155,013
Y. Accounts Receivable - Non-Federal	0
Z. Accounts Payable	913,503