



**DEPARTMENT OF WAR
FINANCIAL MANAGEMENT REGULATION
VOLUME 11: “REIMBURSABLE OPERATIONS”
UNDER SECRETARY OF WAR
(COMPTROLLER)**

Table of Contents

REIMBURSABLE OPERATIONS POLICY	4
1.0 GENERAL.....	4
2.0 REIMBURSEMENT GUIDANCE	4
3.0 PROJECT ORDERS.....	16
4.0 ECONOMY ACT ORDERS	27
5.0 USER FEES.....	32
6.0 DISPOSITION OF PROCEEDS FROM DEPARTMENT OF WAR SALES OF SURPLUS PERSONAL PROPERTY.....	40
7.0 ANNUAL REIMBURSEMENT RATES	43
8.0 INTERNATIONAL NARCOTICS CONTROL PROGRAM	43
9.0 INTERNATIONAL ACQUISITION AND CROSS-SERVICING AGREEMENTS	46
10.0 SUPPORT OF INTERNATIONAL MILITARY ACTIVITIES	55
11.0 SALE OF SPECIAL OR TECHNICAL SERVICES TO STATE AND LOCAL GOVERNMENTS	62
12.0 MAJOR RANGE AND TEST FACILITY BASE.....	64
13.0 DOW SUPPORT TO UNITED STATES COMMERCIAL SPACE ACTIVITIES ...	68
14.0 DISPOSITION OF PROCEEDS OR FEES FOR SERVICES PROVIDED BY OR THROUGH THE USE OF A DOW LABORATORY, CENTER, RANGE, OR OTHER TESTING FACILITY	70
15.0 TRAINING OF SPECIAL OPERATIONS FORCES WITH FRIENDLY FOREIGN FORCES	74
16.0 ACCOUNTING FOR PRODUCTION AND SALE OF FOREST PRODUCTS	78
17.0 OFFSETTING RECEIPTS	81
18.0 NON-ECONOMY ACT ORDERS.....	83
19.0 DEFENSE SUPPORT OF CIVIL AUTHORITIES	86
20.0 DWCF GENERAL POLICIES	92

21.0	DWCF ACTIVITY ESTABLISHMENT, TRANSFERS, AND CLOSURE	99
22.0	DWCF BUDGETARY RESOURCES.....	100
23.0	DWCF COSTS AND COST ACCOUNTING	105
24.0	DWCF REIMBURSEMENTS AND REVENUE RECOGNITION	106
25.0	DWCF SUPPLY MANAGEMENT ACTIVITIES	106

VOLUME 11**REIMBURSABLE OPERATIONS POLICY****1.0 GENERAL****1.1 Purpose**

Volume 11 of the DoW Financial Management Regulation (FMR) provides guidance on reimbursement operations, including project orders and the assessment of fees for services provided by DoW Components. The authority for these reimbursable operations comes from the Office of the Under Secretary of War (Comptroller) and is authorized by U.S. law. It is important to note that this volume does *not* authorize sales to private parties or apply to user fees associated with the Freedom of Information Act (FOIA) or the Privacy Act.

Additionally, Volume 11 establishes the primary financial management policy for the DoW Defense Working Capital Funds (DWCF). It outlines the foundational rules for all DWCF activities, covering their establishment, financing, operation, and overall lifecycle management. This includes policies for budgeting, cost accounting, revenue, and specific requirements for major activities like Supply Management and Depot Maintenance.

1.2 Authoritative Guidance

Refer to Volume 11 authoritative guidance document on the FMR webpage.

1.3 Definitions

Refer to Volume 11 definitions in the Glossary.

1.4 Procedures

Refer to the Volume 11 Supplemental for procedures, tables, figures and appendices throughout this volume and sections.

2.0 REIMBURSEMENT GUIDANCE**2.1 General Guidance**

2.1.1. A seller's reimbursements are amounts earned and collected for materials sold or services furnished because of a reimbursable agreement. A seller's reimbursable obligations are financed by offsetting collections. Components credit these offsetting collections to an expenditure account in payment for goods and services provided by that account. Credit the specific appropriation or fund account for the collection only when it is authorized by law. Refer to Office of Management and Budget (OMB) Circular A-11, Section 20 for further details.

2.1.2. The Treasury Financial Manual (TFM) provides the requirements for accounting, reporting, and reconciliation of Intra-governmental Transactions (IGTs).

2.1.3. The TFM provides the requirements for using G-Invoicing, a data exchange utility that facilitates the exchange of information between federal entities that includes lines of communication when sharing data and exchanging information on IGT Buy/Sell activity. It also serves as an agreement broker and mechanism by which federal entities arrange and negotiate the terms of the Interagency Agreement (IAA) electronically. All IGT Buy/Sell activity must have implemented G-Invoicing by October 1, 2025. Refer to the IPAC System Enforcement Control Timeline within the TFM, Volume 1, Part 2, Chapter 4700, for further details. Treasury requires G-Invoicing for recording and reporting on IGT Buy/Sell transactions unless other guidance (such as OMB policy) requires a completed agreement for certain IGT types, such as assisted acquisitions.

2.1.4. Non-Economy Act orders for intra-governmental work and services must be executed in accordance with the detailed guidance provided in Section 18 of this volume.

2.2 Disposition of Collections

2.2.1. Collections must be credited to the appropriation that procured the services or materiel being sold when specifically authorized by law as outlined in this volume. Statement of Federal Financial Accounting Standards (SFFAS) No.7

2.2.2. Collections for unfunded costs such as labor of military personnel, depreciation of capital assets and interest, must be deposited into the General Fund of the Treasury as miscellaneous receipts or by other DoW issuances.

2.2.3. Collections received after an appropriation cancels must be deposited in Treasury Account 3200, "Collections of Receivables from Canceled Accounts." Refer to Volume 4.

2.2.4. Disposition of collections for FMS must be in accordance with Volume 15.

2.3 Billing Standard

2.3.1. The price to be charged for goods and/or services furnished by the Department depends on whether that good and/or service is provided to, or for the benefit of a DoW Component, a non-DoW federal agency, a private party, or FMS customer. Therefore, the ordering DoW Component activity that requisitions or orders a good or service must inform the performing DoW activity of the identity of the intended recipient for the requisitioned goods or services. Volume 4 requires that the ordering activity must review all charges from the performing activity to ensure that amounts due agree with the reimbursable order and are supported with a copy of the order or contract and evidence of performance.

2.3.2. DoW Components performing work or services on a customer order must bill the ordering DoW Component, other federal agency, or the public for earned reimbursements (performance of work or services, or delivery from inventory) within 30 calendar days after the month in which performance occurred. The payment due date must not be more than 30 calendar days from the date of the invoice. Bills rendered are not subject to audit by the customer prior to payment.

2.3.3. The accurate reporting of reciprocal balances, and proper elimination of reciprocal activity between trading partners, requires accurate documentation of accounting events. Unreconciled items occur when federal entities or trading partners are unable to account for and reconcile differences when buying and selling goods and services. Volume 6 provides guidance for trading partner exchange of data, eliminating intra-governmental transactions from the DoW quarterly and annual financial statements, and providing Treasury elimination information for use in preparing the Government-wide financial statements.

2.4 Determining Amounts to be Reimbursed

DoW Components must adhere to the guidance when determining amounts collected as reimbursements. Components may use alternative reimbursement rules described in this volume and in other DoW issuances as applicable.

2.4.1. DoW Components providing prepaid or reimbursable support must require that cost information is quantifiable and provided to all parties. In addition, support must only be reimbursable when the specified support increases the seller's incremental direct costs and the seller's actual indirect costs of providing support. For any costs that apply to a customer order, DoW Components are prohibited from augmenting their appropriations by charging customers for costs that do not incrementally increase their direct cost. A seller can waive reimbursement from buyers that use or benefit from available support when charges would be less than the anticipated expense of billing and disbursing funds. DoW Components designated as a Combatant Command support agent will provide administrative and logistics support to Combatant Command headquarters and the subordinate unified command headquarters, as documented in agreements on a non-reimbursable basis, in accordance with DoD Directive (DoDD) 5100.03 "Support of the Headquarters of Combatant and Subordinate Unified Commands." Refer to DoD Instruction (DoDI) 4000.19 for additional guidance.

2.4.2. An order placed or agreement made under the Economy Act obligates an appropriation of the ordering entity. The amount obligated is deobligated to the amount of costs incurred and billed by the performing entity before the end of the period of availability of the appropriation. According to OMB Circular A-11 "Section 20 - Terms and Concepts," the Economy Act allows federal agencies or DoW Components to do work for each other. As costs for this work are incurred, the Economy Act authorizes the collections credited directly to the expenditure account that provided the goods and services for reimbursement. Refer to section 4 for further details.

2.4.3. A project order placed with and accepted by a separately managed DoW-owned entity for services, material, or the manufacture of material, provide support for a valid and

recordable obligation of the ordering entity. Project order appropriations remain available to pay an obligation in the same manner as appropriations remain available to pay an obligation to a commercial manufacturer or private contractor. Refer to Section 2 for further details.

2.4.4. Customers may not place orders with DWCF activities for the purpose of extending the life of their appropriations or avoiding any statutory limitation or restrictions pertaining to those funds. Additional guidance applicable to all working capital funds can be found in Volume 3.

2.4.5. As provided in Volume 13, Morale, Welfare, and Recreation (MWR) Utilization Support and Accountability (USA) and Uniform Funding and Management (UFM) are two mechanisms for provision of Appropriated Funds (APFs) support to Nonappropriated Fund Instrumentalities (NAFIs). The MWR USA and UFM practices involve use of NAFs for MWR expenses that, according to funding policies in DoDI 1015.15, should be borne by APFs. MWR USA enables NAFIs to use Nonappropriated Funds (NAFs) to execute such expenses, subject to subsequent APF reimbursement under MOAs. Unlike MWR (USA) practices (which involve reimbursement from APFs), under UFM practices, APFs may be transferred into NAF accounts prior to expenditure. Funds appropriated to DoW and available for MWR programs are treated as NAFs for all purposes under UFM MOAs and remain available until expended. Refer to Volume 13 supplemental guidance for more information.

2.4.6. Direct Civilian Labor

2.4.6.1. A DoW Component must be reimbursed for direct civilian labor costs when performing a service or furnishing materials to another entity. If the performing Component has appropriated funds for that purpose, then reimbursement is not required. Unless the organizations using appropriation are prohibited from directly charging civilian pay.

2.4.6.2. DoW Components, other federal agencies, and the public must be charged for civilian labor performed for their benefit.

2.4.6.3. Civilian personnel fringe benefit rates must be computed. These rates are updated annually and published by Office of Under Secretary of War, Comptroller (OUSW(C)), Deputy Comptroller Program/Budget (P/B) on the Financial Management Reports web page, listed by fiscal year (FY) under the DoW Reimbursable Rates heading. Refer to the Civilian Personnel Fringe Benefit Rates (Tab D).

2.4.7. Direct Military Labor

2.4.7.1. A DoW Component must fund the cost of direct and indirect military labor used to perform services for, or the furnish materials to, another DoW Component through their applicable military personnel appropriations. Under 10 U.S.C. § 2571, internal DoW support, including military labor, may be provided with or without reimbursement. DoW policy generally prohibits reimbursement of military labor between DoW Components. However, DoW Components must reimburse Defense Working Capital Fund (DWCF) activities for the cost of military labor as prescribed in this volume. U.S. Army Corps of Engineers (USACE) military labor supporting civil works activities or Support for Others Program activities must be charged

using the military composite rates applicable to non-DoW organizations, consistent with the Volume 11 Supplemental.

2.4.7.2. Public Law 11847, division A, section 8049 permanently authorizes the use of certain operation and maintenance appropriations to reimburse pay, allowances, and related expenses for National Guard and Reserve members who provide intelligence or counterintelligence support to Combatant Commands, Defense Agencies and Joint Intelligence Activities. These activities fall within the National Intelligence Program (NIP) and the Military Intelligence Program (MIP). Intel reimbursement rates (Rate Billable to DoW Entities) are published annually by OUSW(C), Program and Budget under the subsection “DoW Reimbursable Rates.”

2.4.7.3. Military labor provided in support of any non-DoW entity must be reimbursed unless there is explicit authority for the Department to provide such support on a non-reimbursable basis. This includes support to Federal, State, Territorial, Tribal, and local government entities; private organizations; foreign governments; and international organizations. Components must apply the reimbursement rules prescribed in the Volume 11 Supplemental and applicable statutory authorities.

Reimbursement for direct military labor is required under 10 U.S.C. § 277 for support provided to civilian law enforcement agencies, including support provided under 10 U.S.C. § 272 and 10 U.S.C. § 274 when military personnel perform labor associated with those activities, unless there is explicit authority to provide the support on a non-reimbursable basis. See Volume 11 Supplemental for details on military labor reimbursement for support to civilian law enforcement agencies and the required waivers. Reimbursement is also required under 10 U.S.C. § 2012 for military labor provided to non-profit organizations unless a statutory waiver applies. Interagency support provided under the Economy Act (31 U.S.C. §§ 1535–1536) must be reimbursed at full cost, including the cost of military labor. When DoW provides military labor or services of value to non-DoW entities, reimbursement must be collected consistent with 31 U.S.C. § 9701. Components must ensure reimbursement is collected in accordance with these statutory requirements and the Secretary of War’s policy prohibiting discretionary non-reimbursable support to non-DoW entities.

2.4.7.4. Military labor charged to non-DoW organizations must use the applicable annual reimbursement rates published by the OUSW(C), Program and Budget. These include the Rate Billable to Other Federal Entities and the Rate Billable to Foreign Military Sales (FMS) Entities, each which contains distinct cost elements and reimbursable requirements. Rate application must follow the Department’s compensation rules, including the 30-day month computation method and leave factors when applicable to Other Federal Entities, and time-worked billing rules and leave/holiday factors when applicable to FMS. Refer to OUSW(C), Program and Budget guidance published online under the subsection DoW Reimbursable Rates.

2.4.7.5. Military labor charged to non-DoW organizations must include full-cost recovery elements as required by law and regulation. For Other Federal Entities, reimbursement must include the medical acceleration factor. For FMS Entities, reimbursement must include both the medical acceleration factor and the Medicare-Eligible Retiree Health Care per-capita normal

cost, consistent with the Arms Export Control Act requirement to recover the full cost of providing the service. Refer to Volume 15 for FMS reimbursement procedures.

2.4.7.6. Military Services must furnish the data required to compute the DoW Reimbursement Rates annually, in coordination with the President's Budget submission, and must apply the reimbursement rules prescribed in the Volume 11 Supplemental, and applicable statutory authorities.

2.4.8. Temporary Duty Costs. Travel costs incurred by DoW civilian employees and military personnel incurred in performance of a reimbursable work order must be charged as a direct cost when such travel can be identified specifically to the order. Costs of supplies and other directly relatable expenses are also chargeable.

2.4.9. DoW Personal Property and Inventory.

2.4.9.1. According to DoDI 5000.64 "Accountability and Management of DoW Equipment and Other Accountable Property," personal property includes systems, equipment, materials, and supplies. Personal property normally expected to have a period of service of a year or more after being put into use meets the OMB Circular A-11 equipment definition. This equipment must be without material impairment of its physical condition or functional capacity. Personal property either held for sale, produced for sale, or used to produce goods for sale, or to provide a service for a fee, meets the OMB Circular A-11 inventory definition. This does not include records of the Federal Government and real property (land and improvements to facilities).

2.4.9.2. Reutilization and Marketing Materiel (Surplus)

2.4.9.2.1. DoD Manual 4160.21 defines a surplus as excess personal property no longer required by the federal agencies, as determined by the General Services Administration. The disposition of materiel by a Defense Reutilization and Marketing Office must be in accordance with this DoD Manual.

2.4.9.2.2. The general rules for the disposition of proceeds from the sale of scrap or excess personal property must be in accordance with Section 6.

2.4.9.3. Non-DWCF Materiel. The pricing of personal property for non-DWCF materiel depends on whether the item(s) being transferred or sold will be transferred to another DoW Component and would normally be replaced. DoW Components make this determination in accordance with the approved acquisition objective. If the sale will reduce assets required to meet the approved acquisition objective, then replacement is required.

2.4.9.3.1. Issues within or to another DoW Component with the exception of issues in support of NAFI Category C activities and USACE civil works activities, must be on a non-reimbursable basis as provided in 10 U.S.C. § 2571. Such issues require an accounting entry to reflect the transfer from the losing to the gaining activity. The accounting entry must reflect original acquisition cost and any accumulated depreciation. Issues in support of NAFI Category C

activities and USACE civil works activities must be priced in the same manner as issues to other federal agencies and private parties.

2.4.9.3.2. Issues to other federal agencies or private parties must be priced as material to be replaced or material not to be replaced.

2.4.9.3.2.1. Materiel to be Replaced. Materiel, including equipment, for which replacement (i.e., similar, but not exact) or replacement in-kind (i.e., exact) is required, must be transferred or sold at the estimated replacement cost, including the contract or production costs of the article less an adjustment for age and condition of the item being sold. This price is determined in three steps. First, determine the normal useful peacetime life of the item or equipment to be sold. Second, determine the percentage of useful life remaining on the item. Third, apply the percentage to the estimated (or actual) cost of the replacement item. The remaining amount is the base cost used in the sale price calculation. Under no condition must the sale price be less than the scrap value plus the cost of the last major overhaul or outfitting accomplished within 24 months before the sale. If it is imperative that the item be replaced through accelerated procurements and replacement cost cannot be adequately recouped by normal pricing policies, a request for an exception to DoW pricing policies must be submitted to OUSW(C), P/B. Normally, the exception would be to either add a replacement factor or delay final pricing until the contract for replacement items is financially complete.

2.4.9.3.2.2. Materiel Not to be Replaced. Material, including equipment, must be transferred or sold by a DoW Component to other federal agencies and private parties at its original acquisition cost, net of any accumulated depreciation/amortization (i.e., net book value). If the DoW Component cannot reasonably ascertain those amounts, the cost of the material will be its fair value at the time of transfer in accordance with Volume 4.

2.4.10. Contracts.

2.4.10.1. Contract costs incurred for contracts awarded as part of a reimbursable agreement must be billed to the benefiting organization.

2.4.10.2. Government-furnished materiel must be billed in addition to contract costs in accordance with this section.

2.4.10.3. If the contract is provided to meet the requirements of a non-federal organization, the contractor must be required to pay rent (at fair market value) to the Department for the costs incurred for the use of plant or production equipment utilized in manufacturing the item being sold.

2.4.10.4. The Federal Acquisition Regulation Subpart 52.232-17, "Interest," provides that all amounts that become payable under the contract must bear simple interest from the due date until paid, unless paid within 30 days of becoming due. The Treasury's Bureau of the Fiscal Service provides an online "Simple Daily Interest Calculator" for payments less than 31 days old and a monthly compounding interest calculator for payments more than a month late.

2.4.10.5. Contract administration charges must be charged to other federal agencies and private parties, in accordance with statutory or policy requirements. As allowed in 10 U.S.C. § 2571 contract administration costs are not charged within a DoW Component or to another DoW Component (except for support to NAFI Category C activities and support provided to USACE civil works activities) when funding for such costs is included in the mission funding of the performing DoW entity. Contract administration charges for support to NAFI Category C activities and support provided to USACE civil works activities must be priced in the same manner as charges to other federal agencies and private parties.

2.4.10.6. DoW personnel services in support of contracts must be costed in accordance with this volume.

2.4.11. Accessorial Charges

2.4.11.1. Costs incurred for packing, crating, and handling related to sales or shipments of property are considered accessorial. Accessorial charges may be incurred by the DoW for direct delivery of items from contractor facilities or by DoW Components for items furnished from DoW stocks. Accessorial expenses for support provided to USACE civil works activities must be priced in the same manner as charges to other federal agencies and private parties.

2.4.11.2. Unless otherwise provided by law or regulation, accessorial charges must be billed to the following:

2.4.11.2.1. Non-DoW federal departments, agencies, or instrumentalities.

2.4.11.2.2. Non-federal entities, including DoW contractors.

2.4.11.2.3. NAFIs, when property is transported for DoW MWR activities unless reimbursement has been waived by DoDI 1015.15.

2.4.11.2.4. USACE for civil works projects or activities.

2.4.11.3. Accessorial charges must be reimbursed by non-DoW activities for the actual cost incurred and billed.

2.4.12. Asset Use Charge. A charge for the use of DoW assets (facilities and equipment, or both) is required to recoup depreciation and interest on investment. Amounts collected must be returned to the Treasury as miscellaneous receipts, unless otherwise provided for by statute or other DoW guidance. An asset use charge is a factor added to the base rate to recoup depreciation and interest on investments for use of DoW facilities and equipment. A four percent charge may be used. This rate is published annually by OUSW(C), P/B. Refer to the DoW Reimbursable Rates for details.

2.4.12.1. Depreciation is the systematic and rational allocation of the recorded cost of facilities and equipment (less its estimated salvage or residual value), as an operating expense

over the period in which these assets are expected to provide benefits or the estimated useful life, whichever is shorter. Depreciation must be charged using the straight-line method. For example, a general equipment or real property item with a recorded cost that equals or exceeds the applicable capitalization threshold and has a useful life of at least 2 years must be capitalized as an asset and depreciated over its useful life. The depreciation calculation is illustrated in Table 1-1 located in the Volume 11 Supplemental. Refer to Volume 4 for more details on general equipment depreciation.

2.4.12.2. Interest expense must be included in reimbursement billings to private parties to recognize the interest on investment in fixed assets when such assets are acquired or manufactured for the purpose of, or prepared for use in, providing materiel to private parties. The calculation of interest on investment is illustrated in the Volume 11 Supplemental.

2.4.13. Repair and Maintenance. When repair and/or maintenance of items occurs, costs from a cost accounting system or, in its absence, equivalent costs developed through cost-finding techniques must be billed. Labor, materiel and supplies, transportation, and overhead costs must be computed in accordance with this section.

2.4.14. Leased or Loaned DoW Equipment. When determining the charge for leased or loaned equipment, the following elements must be billed:

2.4.14.1. Depreciation is not applicable to federal agencies unless the billing activity is a DWCF. Depreciation must be based on cost-finding techniques for sales to private parties unless actual rates are known. Calculations must be in accordance with the guidance outlined in this volume.

2.4.14.2. Interest on investment in assets must be computed in accordance with this volume and as designated within the lease agreement.

2.4.14.3. Value of equipment not returned to the owning DoW Component must be a sale to the using organization. This sale must be priced in accordance with this section.

2.4.14.4. Accessorial expenses must be recognized in accordance with this section.

2.4.14.5. Repair costs to restore equipment or property to its condition at the time leased or loaned must be collected from the using organization. The amounts must be based on either actual job order cost accumulations or estimates of the cost incurred based upon past repair and maintenance experience for similar equipment. The amounts collected must be returned to the appropriation that financed the repair and maintenance in accordance with 10 U.S.C. § 2667.

2.4.15. Overhead

2.4.15.1. Overhead involves expenses necessary to run a business that are not directly tied to the production and delivery of goods or services, according to OMB Circular A- 11.

2.4.15.2. Overhead is typically referred to as general and administrative (G&A) costs or some combination of G&A and indirect costs which cannot readily or directly be identified to the performance of a specific customer order for reimbursable costing. Examples of such costs include central management, rent for office space, human resources, sales, building maintenance, office supplies and utility costs. Federal Accounting Standards Advisory Board (FASAB) Technical Release 15 clarifies the Statement of Federal Financial Accounting Standards (SFFAS) 6, for when accumulated indirect costs are not identified as costs incurred, to bring facilities and equipment to a form and location suitable for its intended use, they must be expensed.

2.4.15.3. DoW Components may use materiality to determine whether overhead costs should be included in reimbursable billings. This determination must be justified, documented, and able to stand up to audit scrutiny. If an organization has a material amount of reimbursable effort, overhead costs are accumulated in a cost pool and allocated to customers. In the absence of a cost accounting system, applicable costs may be estimated. done

2.4.15.4. Overhead charges may not be applied to reimbursable customer orders received from DoW activities when the provider realizes no incremental increase in overhead costs due to filling the customer order and for which the performing activity has received appropriated funds for overhead costs. However, APF activities will charge overhead on sales to other federal agencies, NAFI Category C activities, USACE civil works activities, and private parties.

2.5 Documentation Standards

2.5.1. General. Support agreements must comply with generally accepted government auditing standards as required in 31 U.S.C. § 3521 “Audits by agencies.” These standards require establishing internal controls that provide reasonable assurance of achieving effective and efficient operations, compliance with regulations and applicable laws, and reliability of financial reporting. Support agreements must also contain documentary evidence as required in 31 U.S.C. § 1501, “Documentary evidence requirement for Government obligations.” Such evidence must include a purpose or scope of agreement in writing as authorized by law. These agreements must be executed before obligational availability expires and prior to the initiation of reimbursable fund certification.

2.5.1.1. A support agreement with a term greater than 3 years must be reviewed and validated by a support agreement manager from the buyer and seller. This review and validation must occur by at least the mid-point of the effective date (e.g., at year 4 in an 8-year agreement). Support agreements expire at a maximum 10 years from the effective date unless there is legal authority for the agreement to continue beyond 10 years.

2.5.1.2. New signatures from all parties to the agreement are required to establish a new support agreement or modify an existing support agreement. This must take place even when the terms and conditions are the same as those in the prior agreement. Cost estimates within agreements that include reimbursable support services must be reviewed annually by the seller to ensure current year actual costs are identified for accurate customer billing and invoices.

2.5.1.3. Support agreements must include procedures for amending, terminating, reviewing, and transferring the agreement. This also applies to dispute resolution. For example, the agreement must specify that termination may occur by either party via written notice to the other party following an agreed upon termination time. Reporting entities unable to reach an agreement with respect to intragovernmental account balances must escalate the issue to the OUSW(C), Financial Improvement and Audit Readiness (FIAR) Directorate for resolution. At fiscal year-end, final adjustments must be completed prior to the issuance of the Agency Financial Report. Refer to Volume 6 for details. Add operational guidance to the procedure section.

2.5.2. FS Forms 7600A/B. G-Invoicing replaced the former 7600A/B reimbursable IAA between federal entities for Intragovernmental Reimbursable, Buy/Sell Activity. G-Invoicing provides the electronic origination, review, and approval of Buy/Sell IAAs. G-Invoicing is a Moderate rated application and approved to process and store Controlled Unclassified Information. Components must use G-invoicing for Buy/Sell transactions.

2.5.3. G-Invoicing. G-Invoicing is an online portal that supports the exchange of information in IGT activity by federal trading partners. G-Invoicing is not an accounting system nor a procurement system; instead, it serves as a gateway for federal entities to agree upon the funding terms and the accounting treatment of their reimbursable activity, and exchange that data for consistent financial reporting. Key changes from manual processes include a new set of data standards and the electronic submission and approval of necessary documentation. Federal entities must implement the entire transaction lifecycle which includes General Terms and Conditions (GT&Cs), Orders, and Performance Transactions that initiate fund settlement. These business events and their associated accounting activities should be agreed-upon by trading partners and managed through G-Invoicing. G-Invoicing is not required for transactions that are non-Buy/Sell IGT subcategory transactions, or intra-Treasury Account Symbol transactions. Federal entities will use G-Invoicing to reflect their agreement on the funding terms and the accounting treatment of their reimbursable activity and to exchange that data with one another for consistent financial reporting.

2.5.3.1. For logistical support overseas, in lieu of using the FS 7600A, DoW may enter a reimbursable Memorandum of Understanding (MOU) under 22 U.S.C. § 2695 where DoW support is not available for DoW personnel. A G-invoicing reimbursable IAA support agreement is not acceptable and will not be signed in these instances. An example of such is when the Department of State administers the International Cooperative Administrative Support Services (ICASS) system as the principal means that the U.S. Government provides and shares the cost of common administrative support needed to ensure effective operations at its more than 200 diplomatic and consular posts abroad. Consistent with the Department of State Foreign Affairs Handbook for ICASS, DoW may use a reimbursable MOU as the support agreement for logistical support overseas.

2.5.4. Principal Documents. The DoW Financial Statement Audit Guide allows the following key supporting documents for Reimbursable Work Orders: (a) MoU/ Memorandum of Agreement (MOA), (b) Standard Form (SF) 1080 and SF 1081, (c) DD Form 448 and DD Form 448-2, (d) DD Form 1155 and DD Form 1144, (e) GT&Cs, and (f) Order Requirements and Funding Information.

2.5.5. Preparation Standards. The following applies to document preparation:

2.5.5.1. A Buy/Sell agreement that defines the terms, conditions, scope, and responsibilities for trading partners during the exchange is referred to as the GT&C. That is ‘open’ G-Invoicing will assign a unique identifier for each GT&C for tracking purposes. Federal agencies maintain the ability to associate their own unique identifier to each GT&C in their internal accounting systems. Orders in G-Invoicing must reference an active GT&C.

2.5.5.2. Each federal entity will still be responsible for preparing its respective USSGL entries following appropriate attributes and guidance. However, IGT Buy/Sell activity documented in G-Invoicing will allow federal entities to accurately identify the respective accounting triggers. Further, each federal entity is still responsible for their own Anti-Deficiency Act monitoring.

2.5.5.3. Treasury’s Bureau of the Fiscal Service requires all FPAs to use G-Invoicing under the authority of 31 U.S.C. § 3512(b), “Executive agency accounting and other financial management reports and plans” and 31 U.S.C. § 3513, “Financial reporting and accounting system” and in accordance with the TFM. All IGT Buy/Sell activity must be implemented into G-Invoicing by October 1, 2025. Refer to the TFM, Volume I, Part 2, Chapter 4700, Appendix 8 for details.

2.5.5.4. MOA and MOU. A MOA is used to document an agreement and execute or deliver support with or without reimbursement between two or more parties. When a support agreement involves reimbursement, it can be used to further detail terms and conditions. A MOU must only be used when there is agreement, among two or more parties, that payment is not expected; and when the parties do not rely on each other to execute or deliver on any responsibilities. DoDI 4000.19 provide examples of an MOA and MOU respectively.

2.5.5.5. SF 1080. Intra-governmental payments result from transactions between federal entities for sales, services, or transfers between such entities. DoW Components may use the SF 1080 voucher as support for bills to other DoW Components and non-DoW federal agencies when unable to utilize electronic data interchange methods.

2.5.5.6. SF 1081. DoW Components must use the SF 1081 voucher when a manual process is required to generate inter-agency payments and collections with non-DoW federal agencies. See Volume 10.

2.6 Non-Reimbursable Support

The Department does not provide non-reimbursable support of any kind to other federal, state, territorial, tribal, or local government entities; private groups and organizations; foreign governments; and international organizations. Non-reimbursable support may be provided if required by statute. When discretionary, non-reimbursable support is permitted but not required by statute, it must be authorized by the DoW Joint Ethics Regulation or DoW Public Affairs guidance; or is provided after approval of an exception.

3.0 PROJECT ORDERS

3.1 Treasury Guidance on Intra-Governmental Transactions

3.1.1. TFM Volume 1, Part 2, Chapter 4700 discusses the requirements necessary to properly report IGT resulting from business activities (i.e., buy/sell transactions) between two federal government entities, called trading partners. Reimbursable activity between trading partners, otherwise referred to as buy/sell activity. Buy/sell activity and the associated accounting activities must be agreed upon by the trading partners and managed through a formal buy/sell agreement. It also provides guidance on how to properly record, report, and reconcile intragovernmental transactions, including the processes for dispute resolution.

3.1.2. The TFM provides the requirements for using the standard IAA containing Treasury's Bureau of the Fiscal Service (FS) Form 7600A "General Terms and Conditions (GT&C)" and FS Form 7600B "Order Requirements and Funding Information (Order)." The data elements captured in these forms are necessary to (1) ensure the proper recording and reporting on intragovernmental buy/sell transactions, and (2) eliminate most of the federal-wide reporting deficiencies impacting the Financial Report of the United States (U.S.) Government.

3.1.3. The Treasury's G-Invoicing system is used to negotiate, broker, and electronically store the GT&Cs and associated transactions between buyers and sellers for all inter and intragovernmental reimbursable transactions.

3.2 Recordable Obligation

3.2.1. A project order is a valid and recordable obligation of the issuing entity when the order is placed with and accepted by a separately managed DoW-owned establishment or the USCG, providing the obligation otherwise meets the criteria for recordation of an obligation contained in 31 U.S.C. § 1501.

3.2.2. All orders or contracts for work or material or for the manufacture of material pertaining to approved projects placed with DoW-owned establishments or the United States Coast Guard (USCG) must be considered as obligations in the same manner as prescribed for similar orders or contracts placed with commercial manufacturers or private contractors. Appropriations remain available to pay the obligations so created as in the case of contracts or orders with commercial manufacturers or private contractors. The performing activity must notify the ordering activity before costs exceed 75%.

3.3 Project Order Forms

3.3.1. Treasury has established a standard IAA form containing the GT&Cs (FS Form 7600A) and the Order (FS Form 7600B) for government-wide use in carrying out buy/sell transactions between trading partners. These forms must be issued by an authorized DoW or USCG entity and accepted for performance in a DoW-owned and operated establishment.

3.3.2. To properly document that the order for goods or services is a project order, the trading partners must ensure the proper statute (41 U.S.C. § 6307) is identified and cited on the FS Form 7600B for DoW project orders, or 14 U.S.C. § 712 for USCG-related project orders.

3.4 Work Description

3.4.1. A project order must include an adequate description of the goods delivered and/or work performed, to include the line item/sub-line item level, as well as the product service code on each requirement to ensure support for audit from obligation through performance, billing, and closeout. Without these required elements, the order is not sufficient to create a recordable obligation or document detailed performance/delivery, receipt and acceptance, and its' respective invoicing and settlement.

3.4.2. There may be repeat orders for which the performing installation has detailed and definite specifications available. Thus, if the performing activity has on file those elements that make a project order specific, definite, and certain, and those elements are in sufficient detail to enable the performing installation to proceed in carrying out the work ordered, then it is not necessary to also include those elements within the project order itself. In such cases, reference may be made on the project order that specification documentation is retained in accordance with component records management policy by the performing activity.

3.5 Use of Standard Line of Accounting

Buyers and sellers must use the Standard Line of Accounting (SLOA) and ensure it is properly annotated when generating or accepting a reimbursable order, as applicable and comply with the latest Treasury Governmentwide (GTAS) and Federal Intragovernmental Data Standards to "buyers and sellers must use SLOA. Refer to Volume 1 for additional details and requirements.

3.6 Advance Planning of Work Estimates to Performing DoW Establishments

3.6.1. Ordering DoW Components or the USCG must give performing DoW-owned establishments advance planning notice of future requests of goods and/or services expected to be placed with the performing DoW-owned establishment. A performing DoW-owned establishment, in the development of its operating budget, must use this advance planning detailed line/sub-line-item level data to draft order requirements. An operating budget can be revised as work requirements change.

3.6.2. At the appropriate time during project order negotiations, performing DoW-owned Components must give ordering DoW Components a cost estimate for each item produced or work performed under the project order.

3.7 Conditions governing the Issuance and Acceptance of Project Orders

3.7.1. A contractual relationship must exist (i.e., be created by the project order) between the parties involved.

3.7.2. A project order cannot be used to order work between two organizational units that report to the same activity commander.

3.7.3. Expiration dates of project orders must not extend beyond the point in time in which the appropriation funding the order cancels (generally 5 years after the appropriation expires for new obligations).

3.7.4. Project orders must be issued only to DoW-owned establishments (see examples in the Volume 11 Supplemental) that have been given the authority to operate a reimbursable program in an amount equal to or exceeding the project order amount(s). Those issued to the USCG under 14 U.S.C. § 712 would be issued in accordance with USCG established regulations. To determine whether the project order statute provides the statutory authority for an intra-DoW order, determine whether the order is being placed with a DoW-owned establishment. Also, determine whether the order is “entire” (also known as non-severable) under paragraph 3.7.9 and satisfies the other requirements identified in this section.

3.7.5. Payments

All payments made by an ordering DoW Component to a performing DoW-owned establishment must be based upon the payment schedule in the approved and accepted order (FS Form 7600B) which must be within the scope and conditions of the established agreement (FS Form 7600A). Unless modified by mutual agreement, documented through the applicable IAA amendment.

3.7.6. Specific, Definite, and Certain

Project orders are analogous to contracts placed with commercial concerns and, like such contracts, must be specific, definite, and certain both as to the work encompassed by the order and the terms of the order itself. A project order must be accepted by the performing entity as a basis of obligation by the issuer.

3.7.7. Certification of Availability for Purpose

Project orders are subject to the same fiscal limitations that are contained within the appropriation from which they are funded. On the other hand, the performing entity may not be aware of all such appropriation limitations. Therefore, an official of the issuing entity must offer a certification on or attached to the project order stating that the funds cited on the project order are properly chargeable for the purposes cited in the project order. Certification must be retained as part of the official financial management records supporting the obligation.

3.7.8. Bona Fide Need

The issuing entity’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. It is not intended that the bona fide need of the fiscal year rule be construed to preclude procurement lead-time. Thus, where materials, for example, cannot be obtained in the same fiscal year in which they

are needed and contracted for, a provision for delivery in the subsequent fiscal year does not violate the bona fide need rule so long as the time intervening between contracting and delivery is not excessive and the procurement is not for standard commercial items readily available from other sources.

3.7.9. “Entire/Non-Severable” Versus “Severable”

To be eligible for project order financing, the need must be present in the fiscal year in which the project order is issued, require a series of actions over a period which may cross a fiscal year, and call for work or services that are reasonably not severable between fiscal years. For instance, an order for an “entire” end-item or service would call for a single or unified outcome or product, if any benefits would accrue if the work were terminated without completion at the end of the fiscal year in which it was placed.

3.7.9.1. A service is non-severable if the service produces a single or unified outcome, product, or report that cannot be subdivided for separate performance in different fiscal years. Whether the subdivision is feasible or not is a matter of judgment. The objective desired by the requesting customer must be used in the determination. The objective desired by the requesting customer must be used in the determination. If the customer supplies an item for overhaul or renovation and wants the entire item returned in a serviceable state, then a repair of a single component of the item when the item consists of many components needing repair, would not be a “severable” action. Conversely, if a customer desires an automated system that consists of multiple modules and some (or all) modules can be used independent of the entire system, then each module that can be used independent of the entire system is severable.

3.7.9.2. Examples of efforts that are not eligible for procurement as a project order are (1) custodial, housekeeping or fire protection services, (2) refusal of collections, (3) routine maintenance, and (4) services or efforts where the stated or primary purpose of the order is to acquire a level of effort rather than a specific, certain and definite end-product.

3.7.10. The following are examples of efforts in which an entire need generally exists and are eligible for project order financing:

3.7.10.1. Manufacture, production, or assembly of items including experimental prototypes or items manufactured and assembled for test.

3.7.10.2. Renovation, rebuilding, rehabilitation, reconditioning or overhaul of items, including such operations as are necessary to restore an item to a condition of serviceability equivalent to its original state.

3.7.10.3. Alteration or modification in design or assembly of an item to meet revised specifications or to correct defects.

3.7.10.4. Construction or conversion of items (including buildings and other structures), utility and communication systems, and other public works.

3.7.10.5. Development of software programs and automated systems when the purpose of the order is to acquire a specific, definite, and certain non-severable end-product that is achievable reasonably with the resources (financial, human, and plant) available to the provider rather than a level of effort over an extended period.

3.7.10.6. Production of engineering and construction related products and services;
and

3.7.10.7. Education and training contracts for single training courses which are considered a single undertaking. Multi-year research study work order to produce a publishable report.

3.8 Commencement of Work

3.8.1. The work to be performed under project orders must be expected to begin within a reasonable time after its acceptance by the performing DoW-owned establishment or the USCG.

3.8.2. Although work on a project order is not required to commence in the year of project order acceptance, as a minimum requirement, evidence must exist at the time of project order acceptance showing the intention that work (or procurement if required prior to the beginning of work) must (1) begin without delay (usually within 90 days) and (2) be completed within the normal production period for the specific work ordered.

3.8.3. If work (or procurement if required prior to the beginning of work) financed from an appropriation that expired for obligation on September 30 on a project order does not begin, or is not expected to begin, before January 1 of the following calendar year, then the project order must be returned by the performing activity for cancellation. If it is documented that the delay is unavoidable and could not have been foreseen at the time of project order acceptance, and that documentation is retained for audit review, then the project order can be retained and executed.

3.9 Contingent Event Prohibition

A project order must not be issued if commencement of work is contingent upon the occurrence of a future event or authorizing action by the ordering entity.

3.10 Lawful Purpose

Project orders must not be used to contravene provisions of the law or accomplish by means of this device what regulations do not permit under commercial contracts.

3.11 Authorized Purpose

Project orders must not be issued for the primary (or secondary) purpose of continuing the availability of appropriations.

3.12 Project Order Modifications

3.12.1. The project order statute differs from the Economy Act at 31 U.S.C. § 1535 because it permits agencies to account for obligations for orders in the same manner as orders for similar work placed with commercial manufacturers and private contractors. Project orders, like commercial contracts, may contain special provisions and may be modified provided the modification complies with bona fide need, purpose, and time statutes. Unlike procurement contracts with commercial concerns where competition requirements limit permissible contract modifications, project orders may be changed or increased at any time to accommodate new or additional work so long as proper funding is available, and so long as the new work otherwise meets the general conditions governing issuance and acceptance of project orders.

3.12.2. If the appropriation used to fund the initial order remains available for new obligation, then use it to fund all modifications that are a bona fide need of that appropriation, even if the modification changes the scope of the project order. This applies only while the appropriation remains currently available.

3.12.3. If the appropriation used to fund the initial order has expired, then use it to fund only those amendments and modifications that are within the general scope of the initial project order.

3.12.4. All modifications that increase or change the general scope of work of the original order must be charged to a current appropriation. In cases where the original appropriation has expired and is no longer available for new obligations, and the modification or amendment changes the general scope of the original order, the amendment or modification must be funded from a current appropriation.

3.12.5. The appropriation cited on the project order must remain available for price increases and changes that are within the scope of the original order. These obligational rules apply equally to fixed price and cost reimbursable project orders.

3.12.6. Limitation of cost clauses in commercial cost-reimbursement contracts (See FAR Part 16) that are the obligational basis for the requirement to charge current appropriations for all ceiling increases, including those within the general scope of such contracts, are not applicable to cost-reimbursement project orders. Limitation of cost clauses govern the legal liability of the U.S. to third parties, whereas transactions within or between agencies are governed by principles of comity. Whether to structure such project orders on a fixed price or reimbursable basis is a matter of agency discretion and convenience, but not obligational relevance. Whether the work changes the general scope of the original order or otherwise satisfies an emergent bona fide need of the current fiscal period, governs whether current funds must be charged. Subject to the provisions in this volume, amendments to project orders which have the effect of partial or complete termination of such orders must provide for the inclusion of the costs of termination.

3.12.7. Volume 3 provides additional guidance on accounting requirements for expired and closed accounts.

3.13 Ability to Perform

Project orders must be issued only to those DoW-owned establishments that can perform substantially the work ordered. “Substantially” as used in this paragraph, means that the project order recipient must incur costs of not less than 51 percent of the total costs attributable to rendering the work or services ordered. Total costs to render the work or services ordered include the costs of goods or services obtained from or provided by contractors.

3.14 Subsidiary Ordering

3.14.1. The provisions of this section are not intended in any way to authorize one DoW-owned establishment to act as a general contracting or purchasing agent for another entity.

3.14.2. Subsidiary ordering (within the government) and contracting (with commercial firms) pursuant to a project order is authorized, given such subsidiary ordering and contracting is incidental to, and is for use in, carrying out the purpose of the project order.

3.14.3. Project orders must contemplate the use of personnel and facilities (and may include the use of other resources) on the part of the project order recipient, but beyond those incidents to contract procurement. In this connection, it is not improper for a project order recipient to subcontract for component parts when the recipient later assembles those parts into the end-product ordered. The assembly operation includes the use of personnel whose technical skills are essential to completion of the job. In addition, the work expended in the assembly operation must be of such an extent that it avoids a perception of the project order being used for contract procurement. The performing activity will retain documentation demonstrating that contract support remains incidental to Government performance.

3.14.4. If a project order cannot be placed with another DoW-owned establishment because that establishment would fill the order by contracting with a commercial concern for performance of substantially the entire order, then it is possible the order could be placed pursuant to the Economy Act. This Act permits the agency or agency unit filling the order to provide or procure by contract the goods and services necessary to perform the order. See Volume chapter 4 for additional details.

3.15 Project Order Default

3.15.1. Where a recipient of a project order defaults or fails to perform work or services specified in the order, and a replacement project order is required as the result of such default, the following apply:

3.15.1.1. Defaulted work or services may be procured from another DoW-owned establishment or the USCG to the extent of any unobligated balance in the appropriation thus obligated.

3.15.1.2. Similarly, a project order also may be issued to a DoW-owned establishment or the USCG under an appropriation obligated by contracts with outside contractors

when such contract is terminated for default or failure on part of the contractor to perform work or services specified in the contract.

3.15.1.3. Replacement project orders resulting from defaults may be issued and obligated after the period of availability of the appropriation for obligation if the replacement project order is made without undue delay after the termination of the original contract or project order.

3.15.2. A replacement project order fulfills a bona fide need of the appropriation that had funded the contract or project order that was terminated for default. The replacement project order must be awarded on the same basis and be similar substantially to the original project order in its scope and size. The replacement project order must not extend beyond the point in time in which the ordering appropriation cancels (generally 5 years after the appropriation expires for new obligation).

3.16 Project Order Financing

A project order must be financed fully by the ordering DoW Component from obligational authority current at the time the project order is issued and accepted. Project orders may be issued for a research, development, test, and evaluation project which is not financed to completion (i.e., prepared on an incrementally programmed basis). A research, development, test and evaluation appropriation project or program financed on an incrementally programmed basis is one that is funded for the remainder of the funding appropriation's period of current availability or the current fiscal year vice a fully-funded-to-completion basis. Incremental funding authority applies only where specifically authorized by law.

3.17 Direct-Cite Prohibition

A DoW-owned establishment may only accept project orders on a reimbursable basis. Orders must not be made a subdivision of funds, like an allotment; nor the appropriations of the ordering entity be cited by the performing DoW-owned establishment when incurring and recording obligations incurred in performance of the order. Performance activities will record obligations against their own reimbursable authority rather than directly citing the ordering the appropriation.

3.18 Reimbursement of Costs Incurred in Performance of a Project Order

Reimbursement of costs incurred by a performing activity may be accomplished in the manner ordinarily used by that performing activity. Volume 5 recognizes that a disbursement may result from a transfer of funds from one appropriation or fund to another by a "no check drawn" transaction using a SF 1080, Voucher for Transfers Between Appropriations and/or Funds; SF 1081, Voucher and Schedule of Withdrawals and Credits; or by the Treasury's Intra-governmental Payment and Collection (IPAC) system. Volume 5 provides additional information on the IPAC system and identifies general requirements and technical specifications prescribed by the Treasury on the use of IPAC. Performance transactions processed through G-Invoicing initiate settlement through Treasury IPAC.

3.19 Conditions Governing Performance of Project Orders

After acceptance, project orders must be performed as expeditiously as possible according to the terms as accepted. Performing DoW-owned establishments are responsible for promptly advising ordering DoW Components of all goods delivered and/or service rendered, and of any changes in delivery schedules.

3.19.1. Summary of Costs

For cost-reimbursement project orders, performing DoW-owned establishments must give ordering DoW Components a summary of costs incurred to date and estimates of costs to complete the order no less than quarterly, but no more frequently than once a month. No special report forms are authorized for this purpose.

3.19.2. Expiration Dates

Expiration dates of project orders may be extended with the approval of the ordering DoW Component. Expiration dates of project orders may not extend beyond the point in time in which the ordering appropriation cancels.

3.20 Reimbursement to Performing DoW-Owned Establishments

Performing DoW-owned establishments must be reimbursed for work covered by project orders based upon fixed prices or costs incurred.

3.21 Fixed Price Project Orders

3.21.1. A fixed price project order must establish a firm price for purposes of reimbursement for the work or services ordered. A fixed price basis may be used when all the following conditions are present.

3.21.1.1. Work specifications are stable, specific, and definite; and they are made part of the order (or incorporated by reference) for each item when the project order is accepted for performance on a fixed price basis or amended for any changes in the scope of the work. This requirement is critical especially for project order-accepting activities financed by a direct appropriation. An activity financed by a direct appropriation must not accept a fixed price project order unless the activity can predict with a high degree of certainty the actual cost to complete the project order. Otherwise, the activity may violate the prohibition against inappropriately augmenting an appropriation and/or using an appropriation for a purpose not authorized.

3.21.1.2. When there is more than one item of work or service in a project order, including amendments for changes in scope, each item is made the subject of a separate price as shown by the order or in a list incorporated therein by reference. When the work to be performed is the subject of a work list (e.g., equipment overhaul) each entry on the work list must be an item.

3.21.1.3. No substantial contingencies are included in the price, nor involved in performance, so that cost variations in performance reasonably can be expected to be minor.

3.21.1.4. There is a satisfactory system of cost estimating used as a basis for establishing fixed prices. When cost standards are used in cost estimating for the purpose of pricing, they must be adjusted for this purpose to include expected cost variances.

3.21.1.5. The same cost elements are used in cost estimating and establishing fixed prices as would be required for use if reimbursements were based upon actual cost incurred.

3.21.2. The requirement to establish a firm price for purposes of reimbursement for the work or services ordered does not preclude the issuance of amendments/modifications to cover changes in scope of any item in the order.

3.22 Cost-Reimbursement Project Orders

3.22.1. The amount stated in a cost-reimbursement project order must be a sound estimate of the costs incurred in performance of the work or services ordered. Such estimates must be determined based upon the specific work performed. The estimate of costs must be the ceiling amount for purposes of reimbursement for the work or services ordered.

3.22.2. The performing DoW-owned establishment and the ordering DoW Component must undertake timely renegotiations for revisions of the ceiling amount of cost-reimbursement project orders. Such renegotiations must take place whenever cost performance indicates the need for adjustment of the ceiling amount upward or downward, but before the cost of performance has exceeded 75 percent, when compared with the current ceiling amount. Renegotiations need not be conducted when the probable cost of renegotiation is greater than the adjustment amount. In such cases, the performing establishment must absorb the difference, upward or downward. The performing activity will notify the ordering activity before costs exceed 75%.

3.22.3. Cost-reimbursement project orders may be converted to a fixed price basis provided all conditions governing the use of fixed price project orders are present. In addition, the conversion must occur prior to incurring either 50 percent of the total cost of the work, or 50 percent of the period of performance, whichever comes first.

3.23 Unfunded Costs

3.23.1. For purposes of this section, “unfunded costs” are costs that are not funded in the account or appropriation that funds the performing activity. Examples of unfunded costs are not universal. Some performing revolving fund accounts, primarily the working capital fund accounts, may fund costs that are unfunded by appropriated funds. Unfunded costs of a performing activity funded by an appropriation normally include labor of military personnel and depreciation of capital assets.

3.23.2. When an ordering DoW Component places an order on behalf of persons or agencies outside the U.S. Government (including reimbursable transactions pursuant to Foreign Military Sales) discussed in Volume 15 the ordering DoW Component must identify this circumstance on the project order. Under this circumstance, the amount of unfunded costs must be specifically identified and included in the amounts contained in the (1) project orders issued to

performing activities, (2) billings made by the performing activity to the ordering activity, (3) reimbursements by the ordering activity to the performing activity, and (4) reimbursements obtained by the ordering activity from the non-federal customer.

3.24 Reimbursable Costs

3.24.1. Reimbursable costs include the cost of machinery or equipment acquired specifically for the performance of a single project order.

3.24.2. Such costs must be specifically approved in the following circumstances: (1) in advance by the ordering DoW Component, (2) when the machinery or equipment legally could be acquired directly by the ordering fund or appropriation, or (3) approval is incorporated into the terms of the project order agreement or amendments thereto. When approval is incorporated into the terms, the approved costs must be segregated from other costs and shown as a separate item in the reimbursable billing. Such machinery and equipment are the property of the ordering DoW Component and must be disposed of in accordance with instructions from the ordering DoW Component.

3.25 Termination Costs

Costs incurred in the termination of a project order must be reimbursable to the performing DoW-owned establishment when the order is terminated by the ordering DoW Component, to the extent that such costs do not exceed the amount of the fixed price, or the current ceiling amount specified in the case of cost-reimbursement project orders. When ordering DoW Components and performing DoW-owned establishments cannot agree on the costs of termination, the case must be referred through Component financial management channels for settlement by the USW(C).

3.26 Billing

To the extent feasible, performing DoW-owned establishments must bill ordering DoW Components for work performed upon the basis of jobs completed or services rendered in accordance with the terms of the project order. Whenever a long period of time is required in the performance of a project order, periodic progress payments approximating costs incurred may be provided for in the order. Progress payments may be made to the performing DoW-owned establishment to cover the accrued cost (and other direct obligations incurred) of performance to the end of the fiscal year under an uncompleted project order. Reimbursement to a working capital fund activity for work performed prior to completion of the project order must be accomplished normally on either a progress payment or a percentage-of-completion basis.

3.27 Accounting for Cost Performance

Project orders are reimbursable orders and must be administered and accounted for as such. Therefore, project orders may not be administered or accounted for by performing DoW-owned establishments as separate subdivisions of appropriations or funds like an allotment. The appropriation type accounting for project orders must be performed by the ordering DoW Component in a manner like that performed for commercial contracts.

3.28 Obligation Authority

Project orders received and accepted are the source of reimbursable obligational authority, in the amount of the accepted project order, for the performance of services or delivery of goods requested.

3.29 Costs Accounts

Cost accounts must be maintained to accumulate the costs of performance for all project orders. Those cost accounts serve as a basis for determining the amount reimbursable for cost-reimbursement project orders and as a basis of determining a fixed price for similar future fixed price project orders.

3.30 Billings

Billings covering reimbursements must identify costs for each project line/subline item in accordance with the accepted project order (FS Form 7600A).

3.31 Exemptions

Requests for exemptions, along with appropriate justification, must be submitted to the OUSW(C), Deputy Chief Financial Officer (CFO).

4.0 ECONOMY ACT ORDERS

4.1 Legal Authority

4.1.1. 31 U.S.C. § 1535 establishes four basic statutory conditions for the use of Economy Act authorities. In accordance with the statute, the head of an agency or major organizational unit within an agency may place an order with a major organizational unit within the same agency or another agency for goods or services if (1) funds are available, (2) the head of the requesting agency or unit decides the order is in the best interest of the U.S. Government, (3) the agency or unit to be asked to fill the order can provide or obtain by contract the ordered goods or services; and (4) the head of the requesting agency decides that ordered goods or services are unavailable by contract as conveniently or economically by a commercial enterprise.

4.1.2. All orders citing the Economy Act must satisfy the statutory criteria under 31 U.S.C. 1535(a), be supported by a Determination and Findings (D&F), when required, to obtain supplies or services by an assisted acquisition or direct acquisition (i.e., procuring a contract), as defined under FAR 2.101, and FAR 17.502-2.

4.2 Reimbursements to Appropriations

10 U.S.C. § 2205 states to credit reimbursements made to DoW appropriations under 31 U.S.C. §§ 1535 and 1536 for services rendered or supplies furnished to the appropriation or fund of the activity performing the reimbursable work.

4.3 Limitations

Economy Act orders may not be used by an agency to: (1) circumvent conditions and limitations imposed on the use of funds, including extending the period of availability of the cited funds, (2) contravene provisions of the law or accomplish what regulations do not permit under commercial contracts, (3) make acquisitions conflicting with any other agency's authority or responsibility (see FAR 17.501) or for which the servicing agency is required by law to provide and for which it received appropriations; or (4) order work or services from another organizational unit under the same activity commander where the activity commander is able to fund the required goods or services through the use of direct funds.

DoD working capital funds, the Corps of Engineers Civil Works Revolving Fund, and other DoD revolving funds may not waive reimbursement of any amount. This does not preclude the identification of a central payment office by a DoW Component to pay small bills. Guidance on the financial management of working capital funds is in the Volume 11 Supplemental.

4.4 Uses of Economy Act Orders

Use Economy Act orders for any required goods, supplies or services that are appropriate and legal. Acquisition policies contained in the FAR, DFARS, and within individual DoW Component's implementation guidance govern the potential uses of Economy Act orders. Typical uses include base support (host-tenant) services such as administrative services, civilian personnel services, community services, environmental compliance, fire protection, food service, health service, mail service, police service, security/guard services, and warehousing.

4.5 Initiating an Economy Act Order

Each Economy Act order submitted to the servicing agency must include a copy of the determinations and findings (D&F) report as required by FAR 17.502-2(c). Specific D&F requirements are stated in AR 17.502-2(c) and DFARS 217.503.

4.6 Ordering Procedures and Requirements

FAR 17.503, DFARS Subpart 217.5, and DFARS Subpart 217.7 address the procedures that apply to all interagency acquisitions, including those made under the authority provided within the Economy Act.

4.7 Treasury Guidance on Economy Act Orders

4.7.1. The TFM Volume I, Part 2, Chapter 4700, Section 4750, "Intragovernmental Quarterly and Year End Requirements," discusses the requirements necessary to properly report intragovernmental transactions resulting from business activities (i.e., buy/sell transactions) between two Federal government entities, called trading partners.

4.7.2. The TFM provides the standard IAA containing two Fiscal Service (FS) Forms: FS Form 7600A, GT&Cs, and FS Form 7600B, Order Form. Treasury has mandated the use of

these two forms to ensure the proper recording and reporting on intragovernmental buy/sell transactions, and to eliminate the federal-wide reporting deficiencies impacting the Financial Report of the U.S. Government. Accordingly, all DoW Components must use the latest published versions of FS Forms 7600A/B when completing an Economy Act Order and these must comply with the Federal Intragovernmental Data Standards when using the Treasury's G-Invoicing system, DoW Ordering systems, Enterprise Resource Planning, or when completing the FS Forms 7600 A/B manually.

4.7.3. The system used to negotiate, broker, and electronically store the GT&Cs and associated transactions between buyers and sellers for all inter and intragovernmental reimbursable transactions is Treasury's G-Invoicing system. This requirement is for all IAAs with a performance period extending to June 30, 2021, or later. In instances where G-Invoicing is not available, such as remote deployments or other austere conditions, DoW Components must use hardcopies of FS Forms 7600A/B. DoW Components must establish internal policies and procedures for designating signature authority for GT&Cs.

4.7.4. The requesting scope of work on the FS Form 7600A must cover relatively broad categories of goods or services when feasible. However, the FS Form 7600B must discretely describe the goods or services ordered with the associated FS Form 7600A. When practical and legally permissible, the agreement period on the FS Form 7600A must cover multiple years.

4.8 Policy

4.8.1. Economy Act orders must be specific, definite, and certain both as to the work encompassed by the order and the terms of the order itself.

4.8.2. All Economy Act orders must be executed within the period of availability (POA) of the buyer's funds". Therefore, the requesting official must provide a certification of availability for purpose, on or attached to the Economy Act order, stating that the funds cited in the Economy Act order are properly chargeable for the purposes cited in the order.

4.8.3. Economy Act orders citing an annual- or multiple-year appropriation must serve a bona fide need arising, or existing, in the fiscal year(s) for which the appropriation is available for obligation (refer to 31 U.S.C. § 1502).

4.8.4. Appropriation Policy

4.8.4.1. Obligation. An Economy Act order obligates the applicable appropriation of the requesting agency or unit upon acceptance of the order by the servicing agency. The requesting agency obligates the entire amount of a reimbursable order when the servicing agency accepts the order.

4.8.4.1.1. DoW Components cannot use annual appropriations for requirements that are bona fide needs of a subsequent fiscal year, except as allowed by statutory authority. DoW Components that enter into Economy Act agreements with other organizations to satisfy requirements for severable services, non-severable services, and supplies must ensure that

obligations for the Economy Act agreements constitute a bona fide need of the annual appropriation charged. Consequently, the servicing agency must enter any supply or service contract before the end of the period of availability of the annual appropriation.

4.8.4.1.2. To constitute a bona fide need of the requesting activity's annual appropriation, any resultant contract for supplies or services entered by the servicing agency must satisfy the same obligational requirements outlined in Volume 3, as would any contract directly entered by the requesting activity. For example, an agency may issue a contract for severable services under an Economy Act agreement that crosses fiscal years only if the awarded contract satisfies the requirements of 10 U.S.C. § 3133, the contract period does not exceed 1 year, and the contract period begins during the availability period for the agency's appropriation(s).

4.8.4.1.3. DoW Components can obligate multiple-year appropriations for requirements that constitute bona fide needs during the multiple-year period of availability of the appropriation. Multiple-year appropriations obligated for Economy Act orders are subject to the same bona fide need standards as would a contract directly entered by the requesting activity. DoW Components must enter resultant supply and service contracts during the period of availability of the appropriation funding the Economy Act order, and these contracts are subject to the same budgetary full funding or incremental funding policies prescribed in Volume 2.

4.8.4.1.4. Agencies must support resultant contracts for non-severable services that cross fiscal years entirely with their appropriations available for new obligations at the time they award the contract.

4.8.4.1.5. Research, Development, Test and Evaluation (RDT&E) requirements are iterative in nature, RDT&E programs, projects, and activities are not subject to full funding policies. For example, DFARS 232.703-1 permits DoW organizations to incrementally fund a fixed-price contract for severable services if the contract is funded with research and development appropriations. Refer to DFARS 232.703-1 for additional guidance and restrictions. In Volume 2 of the DoW budgetary policy, budget estimates for RDT&E are prepared on an incrementally funded basis, requiring that only the funds necessary for work in a given fiscal year be included in the RDT&E request for that year. The DoW Components encourage fully funding RDT&E contracts for non-severable services.

4.8.4.1.6. Obligating funds for an Economy Act order where the resultant fixed length severable services contract will exceed the 1-year limit outlined in 10 U.S.C. § 3133 or will not commence until a subsequent fiscal year, may result in an Antideficiency Act violation under 31 U.S.C. § 1341.

4.8.4.2. De-obligation. Transactions undertaken in reliance on authority conferred by the Economy Act are subject to statutory requirements imposed by 31 U.S.C. § 1535(d) governing when excess funds must be de-obligated. The amount obligated by the requesting agency or unit must be de-obligated to the extent that the servicing agency has not incurred obligations before the end of the period of availability of the ordering appropriation. It is critical that activities reconcile the obligation status of Economy Act orders and de-obligate unused funds, as needed, before the end of the funds' availability. Funds must be de-obligated by both the

requesting and servicing agency to the extent that the servicing agency or unit filling the order has not (1) provided the goods or services, or (2) entered into an authorized contract with another entity to provide the requested goods or services before the end of the period of availability (fiscal year or multiple year period, as applicable) of the appropriation of the requesting or ordering agency.

4.9 Commencement of Work

Work performed under Economy Act orders must begin within a reasonable time after its acceptance by the servicing agency.

4.10 Contingent Event Prohibition

Economy Act orders must not be issued if the commencement of work is contingent upon the occurrence of a future event or authorizing action by the requesting agency.

4.11 Reimbursement of Appropriated Funds

4.11.1. The servicing agency determines the basis of the actual cost for reimbursement under the Economy Act. The requesting agency must pay the servicing agency the actual costs of the goods or services provided. Actual costs include all direct costs attributable to providing goods or services. The servicing agency's increased expenditures do not increase actual costs. Actual costs also include indirect costs (overhead) to the extent they have a significant relationship to providing the goods or services and benefit the requesting agency. Section 1 outlines how to calculate indirect costs (overhead). DoW activities not funded by working capital funds normally do not charge indirect costs to other DoW activities.

4.11.2. The servicing agency is not allowed to require a payment of any fee or charge in excess of the actual cost (or estimated cost if the actual cost is not known) and the requesting agency is not required to pay any fee or charge in excess of the actual cost (or estimated cost if the actual cost is not known) of entering into and administering the contract or other agreement under which the order is filled per FAR 17.502-2.d.(4). The general rules for DoW Components to follow regarding amounts collected as reimbursements are in Section 1 of this volume.

4.12 Working Capital Fund Activities

Reimbursable costs in the case of servicing DoW activities operating under a working capital fund must be determined in accordance with working capital fund policy. DoW policy and guidance for accounting of the operations of servicing DoW activities financed under a working capital fund is outlined in Section 20.

4.13 Accounting

4.13.1. Direct Fund Cite Orders. Economy Act orders may be issued as direct fund cite orders where the requesting unit identifies the appropriate fund citation for the servicing unit to place on the requested contract or reimbursable order. Servicing DoW activities must not administer or account for Economy Act orders as separate subdivisions of appropriations or funds

like an allotment. The Requesting DoW Component must account for appropriation type (e.g., annual, no-year, multiyear) Economy Act orders in accordance with Volume 3.

4.13.2. **Obligation Authority.** Economy Act orders received and accepted are the source of obligational authority in the amount of the order for the performance of the work requested.

4.13.3. **Cost Account.** Accumulate the costs of performance for all Economy Act orders with a cost account or other device. The cost account serves as a historical basis for determining the amount reimbursable for cost reimbursement Economy Act orders and as a basis for determining a fixed price for similar future fixed-price Economy Act orders.

4.13.4. **Records.** The servicing DoW Component must establish procedures that identify and retain a record of the requestor's appropriation accounting classification(s) for each order received. Establishment and compliance with these procedures will facilitate the auditability of the requestor's source of funding.

4.13.5. **Billings.** Billings covering reimbursements must identify costs by each item listed in the Economy Act order. Volume 10 contains the DoW policy for executing intragovernmental payments.

4.13.6. **Reconciliation and Elimination of Intragovernmental Transactions.** Volume 6 contains DoW policy and guidance for adjustments, eliminations, and other special intragovernmental reconciliation procedures.

5.0 USER FEES

The Federal Government must assess user fees against each identifiable recipient for special benefits derived from Federal activities beyond those received by the public. The User Charge Statute, Title 31, U.S. Code, Section 9701 (31 U.S.C. § 9701), "Fees and Charges for Government Services and Things of Value,") establishes that it is the sense of Congress that any work, service, publication, report, document, benefit, privilege, authority, use, franchise, license, permit, certificate, registration or similar thing of value or utility performed, furnished, provided, granted, prepared, or issued by an agency (except a mixed-ownership Government corporation) to a person (except a person on official business of the U.S. Government is self-sustaining to the extent possible.

The DoW is authorized by legislation to establish user fees, in accordance with the guidelines that are defined by 31 U.S.C. § 9701. The Office of Management and Budget (OMB) Circular No. A-25 Revised, "User charges," and Chief Financial Officers Act of 1990 require federal agencies to review, on a biennial basis, the fees, royalties, rents, and other charges imposed by the agency for services and things of value provided to specific recipients, beyond those received by the general public. The purpose of this review is to periodically adjust existing charges to reflect unanticipated changes in costs or market values, and to review all other agency programs to determine whether fees should be assessed for Government services or the use of Government goods or services.

5.1 Under Secretary of War (Comptroller) (USW(C)) Responsibilities

The (USW(C)) will promulgate financial management policy governing user fees.

5.2 DoW Components Heads Responsibilities or their designees, will:

5.2.1. Identify the services and activities that will adopt and charge a user fee or accept an in-kind consideration.

5.2.2. Determine the extent of the special benefits provided as specified in this volume.

5.2.3. Apply the principles specified in this volume in determining full cost or market price.

5.2.4. Publish user fees charged for services on schedules, lists, or tables posted on publicly available websites.

5.2.5. Review user fees biennially in accordance with OMB Circular No. A-25 Revised, to include assurance that existing fees are adjusted to reflect unanticipated changes in costs or market values; and a review of all other programs where fees are not being assessed to determine whether special benefits are being provided and whether fees should be charged for Government services or goods.

5.2.6. Publish and describe the results of the biennial review of user fees and any resulting proposals, such as adjustments to fee schedules, in the annual DoW Agency Financial Report as required by the Government Management and Reform Act of 1994 and the Chief Financial Officers Act of 1990.

5.2.7. Ensure the requirements of OMB Circular No. A-123, "Management's Responsibility for Internal Control," the Government Accountability Office's GAO 14-704G, "Standards for Internal Control in the Federal Government (the "Green Book")," DoDI 5010.40, "DoD Enterprise Risk Management and Risk Management and Internal Control Program," and appropriate audit standards are applied to user fee collections.

5.2.8. Maintain readily accessible records of the services or activities charging user fees or accepting in-kind considerations, extent of special services provided, exceptions to the general policy, cost information used to establish or calculate fees, and the specific methods used in their determination, and the collections (i.e., cash or in-kind consideration) from each user fee imposed. This information must be provided upon request to OMB for the evaluation of the fee schedules in accordance with the requirements in OMB Circular No. A-11, "Preparation, Submission and Execution of the Budget."

5.2.9. Initiate exception actions outlined in this volume. All such actions must be coordinated with the USW(C) prior to forwarding to OMB.

5.2.10. Develop legislative proposals as outlined in this volume when there are statutory prohibitions, restrictions, or limitations on the implementation, assessment or retention of user fees.

5.3 General Policy

5.3.1. Collections are credited to the General Fund of the U.S. Department of the Treasury (hereafter referred to as Treasury) as miscellaneous receipts as required by 31 U.S.C. § 3302, or if specific statutory authority is available, may be retained by the Component for a specific purpose.

5.3.2. User fees should only be established and implemented if mandated by specific statutory authority, or when implemented under the authority of the User Charge Statute and the monetary benefits to the Federal Government of receipts collected significantly exceed the costs of collecting the fees.

5.3.3. Since generating and maintaining reliable cost data is expensive, consideration must be given to the cost of personnel and related data gathering requirements, and the costs of implementing, maintaining, and using financial management systems when determining the level of cost detail required and whether monetary benefits exceed costs.

5.3.4. It is DoW policy not to compete unfairly with available commercial facilities in providing special services or in the sale or lease of property to private parties and agencies outside the Federal Government. However, when a service (or privilege) provides special benefits to an identifiable recipient, beyond those that accrue to the public, a fee should generally be imposed to recover the full cost to the Federal Government for providing the special benefit (or the market price) except as otherwise approved by the USW(C) and authorized by the Director of the OMB. A special benefit will be considered to accrue, and a user fee should be imposed, when a government service:

5.3.4.1. Enables the beneficiary to obtain more immediate or substantial gains or values (which may or may not be measurable in monetary terms) than those which accrue to the public), or

5.3.4.2. Provides business stability or contributes to public confidence in the business activity of the beneficiary or

5.3.4.3. It is performed at the request of or for the convenience of the recipient and is beyond the services regularly received by other members of the same industry or group or by the public.

5.4 Applicability

None of the provisions in this section should be construed as giving authority for the sale or lease of property, or the rendering of special services. Actions to convey such special benefits must be authorized by separate authority. This user fee policy is applicable except when other statutes or directives specifically direct other practices or procedures, such as for:

5.4.1. Services to military personnel and civilian employees of the DoW provided in accordance with this volume.

5.4.2. Products and services provided to military personnel, their families, and civilian DoW employees by DoW Nonappropriated Fund Instrumentalities (i.e., morale, welfare, and recreation (military and civilian), Military Services exchanges, lodging, supplemental mission funds, and special purpose central funds). Fees for such services are governed by DoDI 1015.15, “Establishment, Management, and Control of Nonappropriated Fund Instrumentalities and Financial Management of Supporting Resources,” and other OSW policy.

5.4.3. Sale or disposal of surplus property under specifically approved.

5.4.4. Services furnished to the public and representatives of the public information media relating to the interest and understanding of the Armed Forces recruiting program.

5.4.5. Armed Forces participation in public events. Fees for such participation are governed by the provisions of DoDI 5410.19, “Public Affairs Community Relations Policy Implementation.”

5.4.6. Records made available to the public, under FOIA, pursuant to DoDD 5400.7, “DoD Freedom of Information Act (FOIA) Program.” Fees for searches and copies of records are governed by Chapter 6 of DoDD 5400.7.

5.4.7. Services furnished to non-Federal audio-visual media. Fees for such services are governed by the provisions of 32 Code of Federal Regulations Part 238 (32 CFR Part 238), “DoD Public Affairs Assistance to Non-Government, Entertainment-Oriented Media Productions.”

5.4.8. Pricing of performance by DoW Working Capital Fund activities which must be in accordance with Section 20 of this volume.

5.4.9. Foreign Military Sales of War articles and services which must be in accordance with Volume 15.

5.4.10. Records made available to requesters under the Privacy Act of 1974, pursuant to DoDD 5400.11.

5.5 Calculation of User Fees

All fees must be based on the full cost to the U.S. Government or market price, whichever applies. Additionally, whenever possible, fees must be set as rates rather than fixed dollar amounts to adjust for changes in costs to the Government or changes in market prices of the good, resource, or service provided.

5.5.1. Except as provided in paragraphs 5.0, 5.9, and 5.11 a user fee should be imposed to recover the full cost to the Federal Government of providing the service, resource, or good when the Government is acting in its capacity as sovereign. “Full cost” includes all direct and indirect

costs associated with providing a good, resource, or service. Full cost must be determined or estimated from the best available records, and new cost accounting systems should not be established solely for this purpose. These costs include, but are not limited to, an appropriate share of:

5.5.1.1. Direct and indirect personnel costs, including salaries and fringe benefits such as medical insurance and retirement. Retirement costs should include all (funded or unfunded) accrued costs not covered by employee contributions as specified in OMB Circular No. A-11.

5.5.1.2. Physical overhead, consulting, and other indirect costs including material and supply costs, utilities, insurance, travel, and rents or imputed rents on land, buildings, and equipment. If imputed rental costs are applied, they should include: (1) depreciation of structures and equipment (based on guidance contained in Volume 4, and an annual rate of return (equal to the average long-term Treasury bond rate) on land, structures, equipment and other capital resources used.

5.5.1.3. The management and supervisory costs.

5.5.1.4. The costs of enforcement, collection, research, establishment of standards, and regulation, including any required environmental impact statements.

5.5.2. User fees should be based on market prices when the Government is not acting in its capacity as sovereign and is leasing or selling goods or resources, or is providing a service (e.g., leasing space in federally owned buildings). Under these business-type conditions, user fees need not be limited to the recovery of full cost, must be based on market prices, and may yield net revenues.

5.5.2.1. When a substantial competitive demand exists for a good, resource, or service, its market price will be determined using commercial practices, for example by (1) competitive bidding or reference to prevailing prices in competitive markets for goods, resources, or services that are the same or like those provided by the Government (e.g., campsites or grazing lands in the general vicinity of private ones) with adjustments as appropriate that reflect demand, level of service, and quality of the good or service.

5.5.2.2. In the absence of substantial competitive demand, market price will be determined by taking into account the prevailing prices for goods, resources, or services that are the same or substantially similar to those provided by the Government, and then adjusting the supply made available and/or price of the good, resource, or service so that there will be neither a shortage nor a surplus (e.g., campsites in remote areas).

5.5.3. Fees established in advance of performance should be based on the estimated cost of performance. Projected amounts must be reviewed the earlier of biennially or whenever significant changes in cost or value occur.

5.5.4. Internal management controls must be established in accordance with OMB Circular No. A-123, GAO-14-704G, and DoDI 5010.40 to ensure that user fees are developed, published on a publicly available website, and adjusted using current, accurate, and complete data. These controls must also ensure compliance with cash management and debt collection policies promulgated in Volume 5.

5.6 Collection of User Fees

DoW Components should make every effort to keep the costs of collection to a minimum and collect fees electronically, via electronic funds transfer (EFT), and utilize, as applicable, the collection services provided by the Treasury's Bureau of the Fiscal Service (Fiscal Service) as described in Volume 5 and outlined in the Treasury Financial Management, Volume 1, "Federal Agencies," Part 5, "Deposit Regulations (1 TFM Part 5)."

5.6.1. In accordance with OMB Circular No. A-25, user fees must be collected in advance of, or simultaneously with, the rendering of services unless appropriations and authority are provided to allow for services provided on a reimbursable basis.

5.6.2. Although fees must be collected in advance absent statutory authority to provide services or special benefits on a reimbursable basis, Components may collect advance fee payments incrementally if variable costs such as personnel or utility costs are incurred incrementally over time and if the services or special benefit is susceptible to being provided on a severable basis.

5.7 Disposition of User Fees

As required by 31 U.S.C. § 3302, an official or agent of the Government who receives money for the Federal Government from any source must deposit the money in the Treasury as soon as practicable. This law is generally referred to as the "Miscellaneous Receipts Statute." Accordingly, unless another statute provides otherwise, user fees collected under the authority of the User Charge Statute must be credited to the General Fund of the Treasury as miscellaneous receipts.

5.8 Exceptions or Waiving of User Fees

5.8.1. The Head of each DoW Component or designee may make exceptions to the general policy if the provision of a free service is an appropriate courtesy to a foreign government or international organization; or comparable fees are set on a reciprocal basis with a foreign country.

5.8.2. The Head of each DoW Component or designee may recommend to OMB that exceptions to the general policy be made when the cost of collecting the fees would represent an unduly large part of the fee for the activity or any other condition exists that, in the opinion of the agency head or his designee, justifies an exception.

5.8.3. All exceptions must be for a period of no more than 4 years unless renewed by the Head of each DoW Component or designee for exceptions or OMB for exceptions after a review to determine whether conditions warrant their continuation.

5.8.4. Requests for exceptions and extensions must be submitted to the Director of OMB.

5.9 Legislative Proposal to Retain User Fees

5.9.1. General Policy

If Components require modification of statutory prohibitions on assessment of user fee charges, they may propose remedial legislation to repeal the assessment prohibition or to authorize an exception. Similarly, Components may propose legislative authority to retain and use amounts collected as user charges. Such proposals are subject to requirements for preparation and submission established in DoDD 5500.01, “Preparing, Processing, and Coordinating Legislation, Executive Orders, Proclamations, Views Letters, and Testimony.” For additional guidance on submitting legislative proposals for approval or authorization to implement or modify a user fee program or to authorize retention and use of user fee collections, refer to OMB Circular No. A-25.

5.10 Authorities

Under the User Charge Statute, a statutory authority is required for DoW Components to retain and use user fees. Proposals requesting such authority may be appropriate when a user fee is levied to finance a service that is provided on a substantially self-sustaining basis and thus is dependent upon adequate collections.

5.10.1. The authority to use fees credited to an appropriation is generally subject to limits set in annual appropriations language. However, it may be appropriate to request exemption from annual appropriations control, if a provision of the service is dependent on demand that is irregular or unpredictable (e.g., a fee to reimburse an agency for the cost of overtime pay of inspectors for services performed after regular duty hours).

5.10.2. Legislative proposals that permit fees credited to accounts must be consistent with the full cost recovery guidelines. Any fees collected more than full cost recovery (i.e., under business-type conditions in which user fees are calculated based on market prices) are credited to the General Fund of the Treasury as miscellaneous receipts.

5.11 Benefits for which no fee must be assessed

5.11.1. Documents and information requested by members of the U.S. Armed Forces, as required by such personnel in their capacity as Service members.

5.11.2. Documents and information requested by members of the U.S. Armed Forces, who are in a casualty status or requested by their next of kin or legal representative.

5.11.3. The provisions of the address of record of a member or former member of the U.S. Armed Forces when the address is readily available through a directory (locator) service, and when the address is requested by a member of the U.S. Armed Forces or by a relative or a legal representative of a member of the U.S. Armed Forces or when the address of record is requested by any source for the purpose of paying monies or forwarding property to a member or former member of the U.S. Armed Forces.

5.11.4. Services requested by, or on behalf of, a member or former member of the U.S. Armed Forces and civilian personnel of DoW (where applicable) or, if deceased, his or her next of kin or legal representative that pertain to the provision of (1) information required to obtain financial benefits regardless of the terms of separation from the Service, (2) documents showing membership and military record in the Armed Forces if discharge or release was under honorable conditions, (3) information related to a decoration or award or required for memorialization purposes, (4) information related to the review or change in type of discharge or correction of records, (5) personal documents, such as birth certificates, when such documents are required by the member, (6) services that are furnished free in accordance with statutes or Executive Orders, and information from or copies of medical and dental records or x-ray films of patients or former patients of military medical or dental facilities, when such information is required for further medical and dental care, and requests for such data are (a) submitted by an accredited medical facility, physician, or dentist; or (b) requested by the patient, his or her next of kin, or legal representative. Other requests subject to the Privacy Act of 1974 must be in accordance with DoDD 5400.11.

5.12 Services requested by and furnished to entities outside DoW:

5.12.1. A member of Congress for official use.

5.12.2. State, territorial, county, or municipal government, or an agency thereof, that is performing a function related to or furthering a DoW objective.

5.12.3. A court, when such services will serve as a substitute for personal court appearance of a military or civilian employee of DoW.

5.12.4. A nonprofit organization that is performing a function related to or furthering an objective of the Federal Government or that is in the interest of public health and welfare, including education.

5.12.5. Donors in connection with the conveyance or transfer of a gift to DoW.

5.13 Services

5.13.1. Occasional and incidental services (including requests from residents of foreign countries), that are not requested often, when it is determined administratively that a fee would be inappropriate for the occasional and incidental services rendered.

5.13.2. Administrative services offered by reference or reading rooms to inspect public records, excluding copies of records or documents furnished.

5.13.3. Services rendered in response to requests for classification review of DoW classified records, submitted under Executive Order 13526, "Classified National Security Information", and implemented by DoW Manual 5200.01 Volumes 1-3, "DoW Information Security Program." Such services consist of the work performed in conducting the classification review or in granting and completing an appeal from a denial of declassification following such review.

5.13.4. Services of a humanitarian nature performed in such emergency situations as life-saving transportation for non-U.S. Armed Forces patients, search and rescue operations, and airlift of personnel and supplies to a disaster site. This does not mean that inter- and intra-governmental agreements to recover all or part of costs should not be negotiated. Rather, it means the recipient or beneficiary will not be assessed a "user fee."

6.0 DISPOSITION OF PROCEEDS FROM DEPARTMENT OF WAR SALES OF SURPLUS PERSONAL PROPERTY

6.1 General Rules for Deposit and Use of Proceeds

6.1.1. According to 40 U.S.C. § 571, agencies must deposit net proceeds from sales of surplus property into the Treasury as miscellaneous receipts unless a law authorizes a deposit into an alternate appropriation. The law also requires that agencies pay the expenses of selling old material, condemned stores, supplies, and other public property from the proceeds of the sale, ensuring that only the net proceeds are deposited in the Treasury, or any other applicable appropriation authorized by law.

6.1.2. Under 10 U.S.C. § 2210, a working capital fund responsible for the disposal of property may retain proceeds from disposals that are necessary to recover the expenses incurred in disposing of that property. Therefore, the Defense Logistics Agency (DLA) Disposition Services will retain amounts sufficient to offset all expenses incurred in the disposition of excess/surplus personal property from the proceeds of sales of such property.

6.2 Legal Exceptions to the General Rules

The following authorizations permit the crediting of the proceeds of the sale to appropriations and/or funds of the Department.

6.2.1. Supplies, Material, Equipment, and Other Personal Property Not Financed by Stock Funds. In accordance with 10 U.S.C. § 2210, the DoW may credit the net proceeds from the sale or disposal of surplus property, after recovering necessary expenses, to current applicable appropriations. Therefore, any proceeds that remain after recovering disposal expenses will be credited to the current applicable appropriations of the Department (i.e., the appropriation currently available for purchasing such property).

6.2.2. Revolving Fund and Non-Appropriated Fund Property. In accordance with 40 U.S.C. § 574, when property is acquired with amounts either (a) not appropriated from the general fund of the Treasury; or (b) appropriated from the general fund of the Treasury but by law reimbursable from assessment, tax, or other revenue or receipts, the net proceeds of such a disposition or transfer of the property must be credited to the applicable reimbursable fund or appropriation; or paid to the federal agency that determined the property to be excess.

6.2.3. Contractor Sales of Surplus Government Property in the Possession of Contractors. The DFARS subpart 245.60, implements 40 U.S.C. § 574 (c) and provides overall direction for crediting proceeds from contractor-conducted sales of surplus government property in the possession of contractors. FAR 245.60 supplements by detailing specific plant clearance procedures, inventory schedules, and surplus property sales rules tailored to defense acquisitions.

6.2.4. Sales of Recyclable Material on Military Installations. The DoW or DLA Disposition Services distribute the proceeds from direct sales of installation-qualified recycling programs (QRP) on military installations, as outlined in 10 U.S.C. § 2577 and DoDI 4715.23.

6.2.4.1. The Director of DLA and DLA Disposition Services (under the USW for Acquisition and Sustainment) must establish procedures and controls to ensure that when installations consign recyclable materials for disposal to DLA Disposition Services on behalf of a qualified recycling program, they return 100 percent of any proceeds, minus the costs of sales and handling, to the installations in accordance with established accounting procedures.

6.2.4.2. Agencies must establish an accounting and control system for recycling programs that provides detailed management and audit information, tracks the quantity of material handled, calculates sales and handling costs for recycled material, and monitors expenditures made for appropriate projects and MWR programs. The integrity of the audit trail must be prioritized.

6.2.4.3. If a military installation has a QRP (as determined by the Secretary of the Military Department concerned or the Secretary of War) and a balance remains available after such funds are credited, then the installation may use no more than 50 percent of that balance for projects focused on pollution abatement, pollution prevention, energy conservation, alternative-fueled vehicle infrastructure support, and occupational safety and health activities. According to 10 U.S.C. § 2577, the project cannot exceed 50 percent of the amount established by law as the maximum for a minor construction project.

6.2.4.4. DoW Components must promptly deposit and record all recycling proceeds in the U.S. Standard General Ledger account 426600, which provides direct budgetary authority on line 1800 of the SF 132, Apportionment and Reapportionment Schedule, and SF 133, Report on Budget Execution and Budgetary Resources. They must obligate and disburse from the designated Treasury Account Symbol only for the purposes specifically authorized in 10 U.S.C. § 2577. The use of suspense accounts is prohibited, and any remaining balances must be transferred to the designated Treasury account.

6.2.4.5. A military installation may transfer the remaining balance available to its non-appropriated morale and welfare account for any morale or welfare activity. If the balance

exceeds \$10 million at the end of any fiscal year, the installation must deposit the excess amount into the Treasury as miscellaneous receipts.

6.2.5. Lost, Abandoned and Unclaimed Privately-Owned Personal Property. The DoW may dispose of lost, abandoned, or unclaimed personal property after it has made diligent efforts to find the owner or the owner's heirs, next of kin, or legal representative, as prescribed by 10 U.S.C. § 2575.

6.2.5.1. When military installations find lost, abandoned, or unclaimed personal property, they must credit the net proceeds from the sale of the property to the operation and maintenance account of that installation and use to reimburse the installation for any costs incurred by the installation to collect, transport, store, protect, or sell the property; and to the extent that the amount of the proceeds exceeds the amount necessary for reimbursing all such costs, to support MWR activities under the jurisdiction of the armed forces at such installation.

6.2.5.2. Military installations must deposit the net proceeds from the sale of all other lost, abandoned, and unclaimed privately-owned personal property into the Proceeds of Sales of Lost, Abandoned, or Unclaimed Personal Property (X6001). After 5 years, military installations must transfer any unclaimed net proceeds from X6001 to Forfeitures of Unclaimed Money and Property (1060).

6.2.5.3. The owner(s) of personal property disposed of as described in this section may file a claim with the Secretary of War for an amount equal to the proceeds minus the costs incurred by the installation to collect, transport, store, protect, or sell the property. They must file the claim within 5 years of the disposal date of the property. To pay claims for property found on military installations, the installations must draw the amounts from their MWR account, into which the proceeds were deposited. For all other property, amounts to pay the claim must be from the Proceeds of Sales of Lost, Abandoned, or Unclaimed Personal Property account (X6001).

6.2.5.4. Refer to the Volume 11 Supplemental to identify, by type of surplus property, the collection and disposition of proceeds from the sale of surplus property.

6.3 Collection of Bid Deposits Collected Under the Card Acquiring Service

DoW Components establish policies governing acceptance under the Card Acquiring Service. These instances have transaction limits. Further guidance is contained within Volume 5, "Electronic Commerce and Deposit of Public Funds." The OUSW(C) announces changes or additions to approved credit or debit cards in memoranda or through changes to the TFM. Treasury covers any fees normally charged to sellers, except for equipment and communication costs.

6.4 Disposition of Bid Deposits

If the sale requires a bid deposit, a DoW Component must initially deposit cash collected from bidders into account 097X6501, "Small Escrow Amounts," until a successful bidder is determined, and a contract is awarded.

7.0 ANNUAL REIMBURSEMENT RATES

The DoW provides goods and services to meet military mission requirements. The Economy Act allows the Department to provide certain goods to DoW Components, other government agencies, and the private sector under specified conditions. The OUSW(C)/DoW Chief Financial Officer (CFO) publishes reimbursement rates, to provide a basis for the Department and its Components to be reimbursed for such goods and services provided. This guidance applies to all DoW Components and goods or services encompassed by or subject to reimbursement rates approved by the DoW CFO.

7.1 Deputy Comptroller (Program/Budget) Responsibilities

The OUSW(C) Deputy Comptroller (Program/Budget) (P/B) is responsible for reviewing, coordinating, and publishing reimbursement rates for the Department. Whenever feasible, reimbursement rates will be published prior to the start of the new fiscal year to ensure sufficient lead time for distribution and for updating billing systems.

7.2 Requirements for DoW Components

7.2.1. Maintain systems that apply generally accepted cost-accounting procedures to develop proposed reimbursement rates. Each DoW Component, in coordination with the Defense Finance and Accounting Service, must maintain a cost-accounting system capable of capturing the data required to formulate reimbursement rates for consumers of goods or services. These proposed rates must be based on generally accepted cost-accounting practices.

7.2.2. Submit reimbursement rate exhibits to the DoW Deputy Comptroller P/B that propose rates for the upcoming fiscal year. These exhibits must be prepared and submitted in accordance with the timelines in this volume and the formats prescribed in the Volume 11 Supplemental document.

7.2.3. Bill customers using the rates approved by the DoW Deputy Comptroller P/B. Goods or services provided during an academic or a fiscal year will be billed at the applicable approved rate, respectively, effective at the start of the academic year or on October 1 of the fiscal year, as appropriate, regardless of when those rates are loaded in the billing system.

7.2.4. Ensure that rates different from those approved by the DoW CFO are not issued or changed without the prior written approval of that official or the DoW Deputy Comptroller P/B.

8.0 INTERNATIONAL NARCOTICS CONTROL PROGRAM

The DoW's International Narcotics Control Program (INCP) directly supports the Foreign Assistance Act (FAA) of 1961. The FAA's key objectives are to suppress the illicit manufacturing and trafficking of narcotics and psychotropic drugs, money laundering, precursor chemical diversion, and to progressively eliminate the illicit cultivation of the crops from which narcotic and psychotropic drugs are derived. While the FAA addresses statutory responsibilities for

multiple agencies, the DoW is specifically tasked as a key partner in the training of foreign allies on illegal narcotics interdiction and the prevention of illegal narcotics trafficking.

8.1 Billing Support

Section 632 (c) of the FAA explains special pricing requirements when services, including training, are provided by the Department of War to the Department of State in support of the INCP. Billing must be made within 30 calendar days after the monthly services are rendered. The payment due date must be no more than 30 days from the date of the invoice. Bills rendered under this program are not subject to audit by the customer.

8.2 Pricing

The following rules must be followed by DoW Components when determining pricing amounts collected as reimbursements for orders from the Department of State that cite INCP financing.

8.2.1. INCP Training. The tuition rate for DoW training provided to support INCP is an incremental rate comparable to the International Military Education and Training (IMET) rate. Volume 15 provides a detailed explanation on tuition rates, direct and indirect costs of international student training, and IMET training price exceptions not covered in this section. The cost elements to include in the pricing are as follows:

8.2.1.1. Civilian Instructors and School Support Staff. It is anticipated that additional costs charged to the INCP for civilian instructors will be minimal for courses or groupings of courses when either the ratios of students to instructors or U.S. students to international students are high. Courses must be reviewed to determine the additional cost incurred resulting from international student attendance. Classroom or technical courses that are similar, or that utilize instructors who teach more than one course, may be grouped for computation purposes.

8.2.1.1.1. For groups of courses, an estimate must be made of the number of U.S. students in each course and the number of civilian instructors and civilian staff required. A second projection must be made of the total number of students enrolled in applicable courses, both U.S. and international, and the number of civilian instructors and civilian staff required. Base both projections on the maximum number of student output by civilian instructors or civilian staff rather than on optimum class size. The difference in the number of civilian instructors and civilian staff between the two projections represents the additional civilian instructors and/or civilian staff required. Applicable additional civilian instructors and civilian staff must be priced in accordance with this volume. This value, divided by the total number of INCP students, represents the additional cost per INCP student for the course (or courses).

8.2.1.1.2. When there is a one-for-one or one-for-two relationship of civilian instructors to students, the instructor in all cases is considered additional. If the entire class is composed of INCP students, the instructor, and staff must be considered additional in the pricing formula.

8.2.1.2. Military Instructors and Military School Support Staff. There must be no charges to the INCP program for military personnel conducting training courses.

8.2.1.3. Equipment Overhaul and Maintenance. The overhaul and maintenance of major items of equipment, when computed on an hourly use basis, must be considered additional resources to a course based on estimated utilization hours.

8.2.1.4. Simulators. Simulator hours must be considered additional costs. Simulator costs must include pay of the operators, supplies and equipment maintenance. Allocate simulator costs to the course using an equitable distribution across the total hours available.

8.2.1.5. Supplies, Materiel, Training Aids, Ammunition. Charge the replacement costs of items not returned or reusable (including petroleum, oil, and lubricants) expended in the conduct of training as an additional cost.

8.2.1.6. Lost or Damaged Equipment. If equipment was lost or damaged during training and it was found to be the result of an international student's negligence, the additional cost to be charged must be the actual costs of the repairs or replacement cost of the equipment.

8.2.1.7. Base Support (That Is, Indirect Student Costs). A standard weekly rate must be charged for INCP training conducted on DoW installations. The fixed weekly amount must be the same amount used for billing DoW appropriations reimbursed by the IMET program. See Volume 15 for additional details.

8.2.1.8. Food Preparation. Meal operating/food preparation costs are additive to other food costs. The weekly meal operating and food preparation costs for INCP students must be the same amount used in billing DoW appropriations reimbursed by the IMET program when courses are conducted on DoW installations and students use DoW appropriated dining facilities.

8.2.1.9. Instructor Training. Special courses provided on a non-routine basis to U.S. instructors and personnel are considered additional costs and must be charged accordingly. Charge the normal cost rate for all required training conducted at a U.S. training facility in direct support of the INCP program (i.e., the Department of State). Treat special courses conducted by a Management Service Team (MST) away from the normal training institution as dedicated service and charge the full cost billed to the INCP program.

8.2.1.10. Facilities and Equipment. The costs of any facilities or equipment acquired primarily for the support of international students enrolled in the INCP program are considered additional costs.

8.2.1.11. Field Studies Program (FSP). The full cost of the FSP to the U.S. Government is considered an additional cost.

8.2.1.12. Shipment of Retainable Instructional Materials (RIM). The shipment of RIM to students must be included in the tuition rate applicable to INCP students. Apply shipping

charges to the same DoW billing appropriations reimbursed by the IMET program. Refer to Volume 15 for additional details.

8.2.1.13. Travel and Per Diem. Instructor and student travel and per diem associated with the provision of training must be considered additional costs, to include transportation, living allowances, and medical expenses.

8.2.2. Other DoW Services

8.2.2.1. DoW Services Provided Incidental to Normal Mission Accomplishment. When support of the INCP is accomplished incidental to performance of a DoW mission requirement, there are no additional costs incurred. However, an extended mission or overall cost increase constitutes the reimbursement of the cost over and above the scheduled mission cost.

8.2.2.2. Scheduled DoW Transportation. Air and ocean transportation services performed by the U.S. Transportation Command on scheduled movements must be priced, where applicable, at current tariff rates for DoW Components.

8.2.2.3. Detailed Personnel. All costs incurred in connection with the detail of DoW personnel to the Department of State to support the INCP, both civilian and military, are considered additional expenses and must be priced at the normal rate charged to other Federal Agencies.

8.2.3. Supplies and Equipment. Section 482 of the FAA prohibits the procurement of weapons or ammunition from funds authorized for this program. Thus, any specific order for a weapon or ammunition that cites the appropriations provided to finance INCP either must be rejected or returned for a new fund citation. Supplies and equipment that can be provided must be priced in accordance with this volume. Additionally, this volume establishes pricing policy for excess and non-excess material.

8.3 Disposition of Proceeds

Section 632(c) of the FAA mandates that applicable collections from the Department of State must be reimbursed to the financing DoW appropriation account.

9.0 INTERNATIONAL ACQUISITION AND CROSS-SERVICING AGREEMENTS

The DoW strengthens key international partnerships through the acquisition and transfer of logistic support, supplies, and services (LSSS) between DoW and certain countries and regional organizations. These acquisitions and transfers are accomplished through Acquisition and Cross-Servicing Agreements (ACSA), on a reimbursement basis, or by replacement-in-kind (RIK), or by exchange of supplies or services of an equal value (equal-value-exchange (EVE)). The use of these agreements strengthens alliances and provides beneficial support for U.S. service members and respective members of foreign militaries when U.S. supplies are not readily available.

9.1 Liquidation of Credits and Liabilities

9.1.1. Monetary reimbursement occurs via a monetary instrument in the currency of the supplying nation as payment for LSSS. The recipient is responsible for the total cost of the order, including additional fees imposed by financial institutions for payment processing. Exchange/Replacement reimbursements use RIK or EVE transfers as the means of repayment where equal value is the actual, estimated, or negotiated price at the time of order approval. Signatures of the recipient and the supplier for the terms of the agreement are required and constitute approval.

9.1.2. Reimbursement Order Liquidation Method. The reimbursement due date is 30 days from the date of invoice, demand letter, or notice of payment due unless a specific due date is established by statute, contract provision, or notice of indebtedness (see Volume 16). The bill is then distributed by the Component or by the Accounts Receivable Office (ARO) as prescribed in Volume 4. Bills must be accompanied by the completed Form (usually, Form 1-3a generated in the Acquisition and Cross-Servicing Agreement Global Automated Tracking and Reporting System (AGATRS), or document containing all minimum essential data elements, used to document the issue and receipt of supplies and services. Payment due date must not be more than 30 days from the date of the invoice, unless terms of the ACSA agreement or Implementing Arrangement specify a different payment timeline. A payment extension of 30 to 120 days from the due date is permissible, if initiated by the recipient and based upon their processing capabilities, with mutual written agreement of all parties.

9.1.3. Exchange/Replacement Order Liquidation Method. Exchange/Replacement orders must be recorded and accrued in compliance with Generally Accepted Accounting Principles. Recorded Accounts Payables and Accounts Receivables related to the exchange of goods and services must be settled through the issue or receipt, as applicable, of the thing of equal value or replacement item, within 12 months of the original (initial) order date of delivery, or within 90 days of an agreed upon settlement conference documented via the authorizing signatory certifying authority to the ACSA agreement. If not settled within this period, the exchange/replacement order must convert to a monetary reimbursable order and then be settled according to Volume 16. The resulting accounts receivable or accounts payable must be liquidated, expeditiously, if possible. Upon conversion to a direct bill, any delinquency greater than 90 days will result in the termination of DoW support to the ACSA supported entity until delinquent orders are liquidated.

9.2 Prohibitions

9.2.1. Inventories of Supplies. Inventories of supplies for elements of the U.S. Forces must not be increased in anticipation of a request for support under the authority of 10 U.S.C. §§ 2341 – 2350 and DoDD 2010.09.

9.2.2. Prohibitions on Transfers. DoW Components, must not agree to or carry out: (1) transfers in exchange for property whose acquisition by DoW is prohibited by law; (2) transfers of source, byproduct, or special nuclear materials subject to 42 U.S.C. § 2011, the Atomic Energy Act of 1954; (3) transfers of LSSS to countries with which the DoW does not have a current ACSA pursuant to 10 USC. § 2342(d); or (4) transfers of chemical munitions.

9.2.3. Mandated Separation of Duties. Safeguards to ensure proper separation of Duties. Commands will ensure that proper safeguards are in place to include ensuring that a single individual performs only one of the following functions.

9.2.3.1. Initiation of the ACSA Transaction requirement.

9.2.3.2. Signing to authorize the ACSA Order as the Logistics Officer.

9.2.3.3. Receipt, inspection, and acceptance of the ACSA supplies or services that are transferred with the Order; and

9.2.3.4. Signing the ACSA Order as the Finance Officer confirming disbursement of payment or acceptance of the re-imbursement payment.

9.3 Obligation and Earned Reimbursement Limitations

9.3.1. Application. Apply the obligations and earned reimbursement limitations without regard to offsetting balances; that is, only the original gross values of sales and purchases are considered for purposes of the limitations. These limitations do not apply during periods of active hostilities involving the armed forces and are allocated by the Joint Staff.

9.3.2. Financial Obligation Recording. Duly appointed and trained financial personnel must record entries in the appropriate financial systems in accordance with DoDI 1300.26.

9.3.3. Authorized Personnel. Financial Personnel must have on file a DD Form 577, appointing them to the role as the financial certifying official. Persons authorized as ACSA Signature Officials must have on file an official delegation memo from higher authority.

9.3.3.1. Recording Obligations. Within 10 days of an order authorization, the corresponding obligation or reimbursable credit must be recorded in the appropriate financial system as prescribed in Volume 3.

9.3.3.2. Recording Accounts Payable (ACSA Monetary Buys). Obligations (and any adjustments) must be established and recorded in the appropriate financial system for the amounts of orders placed and contracts awarded that will require payment as prescribed in Volume 10 for the current or some future accounting period.

9.3.3.3. Recording Accounts Receivable (ACSA Monetary Sales). Amounts due to the DoW will be recorded as sales for the amounts of the orders that will establish a claim to cash, or other asset as prescribed in Volume 4.

9.3.3.4. Recording Accounts Payable (RIK/EVE Buys). Recognize the liability when the DoW and the partner nation complete the ACSA order. Record amounts in the appropriate financial system for the amount or negotiated number of orders placed that may require payment as prescribed in Volume 4 for the current or future accounting period.

9.3.3.5. Recording Accounts Receivable (RIK/EVE Sales). Amounts due to the DoW will be recorded in the appropriate receivables account in the financial system for the number of orders regardless of the method of reimbursement, as prescribed in Volume 4.

9.3.3.6. Aging of Accounts Payable and Accounts Receivable: Accounts Payable and Accounts Receivable will begin aging upon the acceptance and/or certification by both parties at the on-going reconciliation of support conferences. Until orders and settlement terms have been agreed to and certified, by both parties, Accounts Payables and Accounts Receivables will remain in a current non-delinquent 0–30-day category for financial reporting and management-monitored metrics.

9.3.4. Department Level Obligation Naming Standard

9.3.4.1. Standard Format. Within the respective Financial Systems, Services, Components and Agencies using the ACSA Acquire/Transfer process must establish, at the highest level, an ACSA identifier, more specifically a unique document type/entry code. This must be accompanied by a required field to document the AGATRS generated ACSA requisition number. In the absence of a unique document type/entry code, or in the interim during establishment, organizations will identify a free-text field for entry of a standard Department-wide format of the word “ACSA_” followed by the AGATRS generated ACSA Order Requisition Number. Example ACSA_JO-12345-001. An example is as follows: Example → ACSA (*word*)__AGATRS ACSA Order Requisition.

9.3.4.2. Standard Format Tracking. Services/Components/Agencies must communicate their accounting procedures, document type/entry code, in addition to their respective field choice back to the Office of the Under Secretary of War for Acquisition and Sustainment (OUSW(A&S)) and OUSW(C) and distribute to all subordinates for inclusion in all financial operating procedures regarding ACSA.

9.3.5. Obligation Limitations

9.3.5.1. Acquisitions from North Atlantic Treaty Organization (NATO) Countries, NATO Subsidiary Bodies, the United Nations (UN) Organization or Any Regional International Organization. The total amount that may be obligated by DoW for reimbursable orders (purchases) with NATO countries, NATO subsidiary bodies, the UN Organization, or any regional international organization must not exceed \$200 million during any fiscal year. Of the \$200 million limitation, no more than \$50 million in obligations may be incurred for the acquisition of supplies other than petroleum, oil, and lubricants (POL).

9.3.5.2. Acquisitions from non-NATO Member Countries. The total amount that may be obligated by the DoW for reimbursable orders (purchases) with a non-NATO member country (with which the U.S. has an acquisition or cross-servicing agreement) must not exceed \$60 million during any fiscal year. Of the \$60 million limitation, no more than \$20 million in obligations may be incurred for the acquisition of supplies (materiel) other than POL.

9.3.6. Earned Reimbursement Limitation

9.3.6.1. Transfers to NATO countries, NATO subsidiary bodies, the United Nations Organization or Any Regional International Organization. The total amount of earned reimbursable credits (sales) to NATO countries, NATO subsidiary bodies, the UN Organization, or any regional international organization of which the U.S. is a member that DoW can accrue must not exceed \$150 million during any fiscal year.

9.3.6.2. Transfers to Non-NATO Member Countries. The total amount of earned reimbursable credits (sales) to a non-NATO member country (with which the U.S. has an acquisition or cross-servicing agreement) that DoW can accrue must not exceed \$75 million during any fiscal year.

9.4 Requests for Authorization to Use Limitations

Obligation/Earned Reimbursement Limitations are allocated and tracked by the Joint Staff. Each organization entering reimbursable purchases or sales under ACSA must request authorization. Requests must be accompanied by justification, including a prioritization of requirements. The requests must be submitted to the cognizant Combatant Command (CCMD) through the requesting organization's appropriate Component command. The authorizations do not increase the amount of obligational or apportioned anticipated reimbursable authority but rather allow use of existing budget authority to enter into purchases or sales under the authority of 10 U.S.C. § 2347. Refer to the Volume 11 Supplemental document.

9.5 Waiver During Contingency or Non-Combat Operations

When U.S. Forces are involved in a contingency operation or non-combat operation (including an operation in support of the provision of humanitarian or foreign disaster assistance or in support of peacekeeping operations under UN Charter VI or VII), the restrictions are waived for the purposes and duration of that operation.

9.6 Issuance of the Authorization

The cognizant CCMD must review and approve requests for authorization. If the total amount requested by all Component commands exceeds established limitations, the cognizant CCMD must review the justifications and make appropriate reductions to requested amounts as needed. Each cognizant CCMD must advise the Military Departments (MILDEPs) of authorizations distributed.

9.7 Distribution of Authorization Received

Upon receipt of an authorization from a CCMD, Component commands must authorize their activities to enter into reimbursable orders under 10 U.S.C. § 2342. No activity or unit may enter such orders without proper authorization. Recipients of an authorization must establish procedures to ensure that authorized dollar amounts are not exceeded.

9.8 Ratification of Unauthorized ACSA Orders

9.8.1. Ratification is the confirmation or adoption of an unauthorized act after the fact. Ratification, as used in this subsection, means the act of approving an unauthorized commitment by an official who has the authority to do so. An unauthorized commitment, as used in this subsection, can be procedural or funding related, or a mix of both. Procedural errors occur when the person who approved the ACSA order was not in possession of the required authority to approve the ACSA order. Funding errors occur when the funds required to cover the ACSA order are insufficient.

9.8.2. FAR 1.602-3 provides a useful guide on how to carry out ratification properly and avoid an Anti-Deficiency Act (ADA) violation under 31 U.S.C. § 1341 and Volume 14. The official with authority to ratify an ACSA order must work with the official's corresponding legal office and Financial Manager(s) (to include those at Higher Headquarters) to determine if ratification is available and the best course of action. If ratification is deemed appropriate, the official authorized to ratify the ACSA order must use the process laid out by their component to answer the questions identified in this section and investigate to capture necessary documentation for adjudication/approval. ACSA Ratification or similar form with the same information should be used to document and capture the questions:

9.8.2.1. Determine Why. The obligating party must document the reasons why the ACSA order was signed and why such an obligation is inappropriate.

9.8.2.2. Determine U.S. benefit. Document the benefit(s) to the U.S. Government provided by ratification of the unauthorized commitments. Include the bona fide U.S. Government requirement necessitating ratification.

9.8.2.3. Remedial Corrective Actions. Describe all remedial corrective actions, disciplinary actions, or both that were taken; describe all action(s) taken to preclude recurrence.

9.8.2.4. Determine Measures for Non-recurrence. Identify the measures undertaken to ensure that the obligating party and the foreign partner will not enter such orders in the future.

9.8.2.5. Determine Funding Availability. Determine that (1) proper funding was available at the time the obligation was incurred and (2) proper funding remains available at the time of ratification.

9.8.2.6. Adjudication Approval Determination. Investigate and conduct resolution at the lowest level possible. If unable to resolve, elevate and work in conjunction with the Commander, Director, and Comptroller/Budget Officer in preparation for General Officer or Senior Executive Service assessment and requirement for Legal review. If unable to resolve, elevate to higher headquarters. For orders greater than \$1 million, forward findings through command channels to Joint Staff (J4 and Comptroller) for adjudication and approval. If disapproved, reverse the ACSA order under the unauthorized transfer and return the LSSS to the

original owning party or begin ADA violation investigation and reporting as outlined in Volume 14.

9.9 Reports on ACSA Orders

This section prescribes the requirement for the quarterly report required by DoDD 2010.09. This report is designed to advise the Chairman of the Joint Chief of Staff (CJCS) on reimbursable orders related to the purchase or sale of mutual logistics support, supplies, and services with a foreign entity. The reporting requirements apply to the Office of the Secretary of War, MILDEPs, the CJCS, the CCMDs, and the Defense Agencies. Amounts reported as reimbursable orders must be supported by country-to-country or multinational agreements for mutual logistics support between the U.S. and the Governments of other NATO countries, NATO subsidiary bodies, UN Organization, any regional international organization of which the U.S. is a member, and other eligible foreign countries.

9.10 Report Format

The quarterly report must be prepared in the formats outlined in the Volume 11 Supplemental document. The CJCS may modify the report formats as the Chairman deems appropriate, if the revised formats meet the minimum information requirements.

9.11 Frequency and Distribution

The quarterly report must be submitted as follows:

9.11.1. No later than 15 days after the end of the preceding fiscal quarter, the commanders of the CCMDs must submit to the CJCS, a detailed report, by fiscal year, for each country-to-country or multinational order entered under the authority of 10 U.S.C. §§ 2341 - 2350, that was in effect during the prior quarter, itemized by reimbursable order.

9.11.2. The MILDEPs and Defense Agencies must assist, as necessary, the CCMDs in preparing the quarterly report.

9.12 ACSA Global Automated Tracking and Reporting System (AGATRS)

AGATRS is the DoW system of record for the Joint Staff, CCMDs, and Services to manage ACSA orders. AGATRS is an unclassified, web-based system that provides a worldwide automated means of building, tracking, and managing orders throughout their life cycle. AGATRS will be used to fully document all transfers of LSSS under ACSA authorities to meet the filing, tracking, and reporting requirements. Refer to current versions of the Chairman of the Joint Chiefs of Staff Instructions (CJCSI) 2120.01E and DoDD 2010.09 for additional information and instruction regarding AGATRS use and responsibilities.

9.13 Documentation Forms

Forms used to document the issue or receipt of supplies and services under the authority of 10 U.S.C. § 2342 are subject to a bilateral or multinational agreement. The DoW standard form

for ACSA order/receipt/invoice is the Form 1-3a producible via AGATRS. For orders with NATO, the form found in the E-Library on the NATO Website, NATO Standardization Agreement 2034, "NATO Standard Procedures for Mutual Logistics Assistance" is often used. Any form used must include the information requirements outlined in the Volume 11 Supplemental document.

9.14 Accounting for Funds and Reimbursements

Any organization receiving an authorization to incur obligations or receive reimbursements pursuant to authority in 10 U.S.C. § 2344 for an activity or unit for which it provides accounting and finance support, must capture or obtain data on the use of this authority and must provide for the appropriate targets or limitations within the affected allotments. Similarly, receipt of the earned reimbursement authority requires the establishment of a customer order subsystem to capture data on the use of such authority. Source documents pertaining to the authorized dollar amount and its use, such as obligations (DoW undelivered orders for materiel or services and accrued expenditures based on receipt of the materiel or services ordered), disbursements (liquidation of unpaid accrued expenditures), accounts payable (the unpaid portion of accrued expenditures), accounts receivable (earned reimbursements), and collections (receipt of payment to liquidate accounts receivable) must be recorded promptly in the financial records. Accounting for reimbursable orders under these authorizations must be maintained within the appropriate accounting records to assure crediting of remittances in accordance with this volume.

9.15 Exchange Orders and History Files

Control over exchange orders must be established and maintained through use of an exchange order history file. Input to the history file must be made by submission of each individual order form which must include the minimum information prescribed in the Supplemental document. AGATRS will be used to fulfill this purpose, ensuring compliance with DoDD 2010.09.

9.16 Pricing Reimbursable Orders

10 U.S.C. §§ 2341 - 2350 authorize two methods for pricing reimbursable orders. The method used is dependent upon the ability of the SecWar to negotiate for the adoption of specific pricing principles for reciprocal application. Additional pricing information is found in Volume 15.

9.17 Reciprocal Pricing Principles

When a reciprocal pricing agreement is negotiated between the U.S. and another authorized party, pricing by the supplying country must be in accordance with the following:

9.17.1. For new procurements, the price charged to a recipient country by the supplying country must be no less favorable than that charged the armed forces of the supplying country by its contractors. The price charged must allow for differentials due to delivery schedules, points of delivery, and other similar considerations.

9.17.2. For supplies from inventories of the supplying country, or for logistics support and government services, the supplying country must charge the recipient country the same prices as it charges its own armed forces for identical supplies or services. When the DoW is the supplier, the price charged must be identical to rates charged by the DoW Components for cross-service logistics support or services. The DoW price charged is the price for type of sale "To Another DoW Component" as indicated in this volume. Where a price for a particular product or service is not otherwise specified, agreement on a price should be reached prior to execution. Failing that, a "not to exceed amount," establishing the upper limits of the financial liability of the receiving party, must be established.

9.18 Nonreciprocal Pricing Principles

To the extent that a DoW Component cannot achieve mutual acceptance by another country of reciprocal pricing principles, or in the case of a NATO subsidiary body, the following procedures must apply:

9.18.1. U.S. commanders delegated authority to negotiate, approve, or execute orders pursuant to DoDD 2010.09 must determine that the price for acquiring supplies or services is fair and reasonable. This determination must be supported by a price analysis based on prior experience and supporting data, and consideration of all applicable circumstances. If this determination cannot be made, no purchases or sales must take place.

9.18.2. Any transfer of supplies or services by U.S. Forces must be subject to the pricing provisions of 10 U.S.C. § 2344.

9.19 Disposition of Proceeds

Any payment for materiel or services provided by U.S. Forces and initially recorded as a sale order, must be credited to the appropriation, fund or account used in incurring the obligation. If such fund is expired, credit the payment into an appropriate appropriation, fund, or account currently available for the purposes for which the expenditures were made (see 10 U.S.C. § 2346). Payment for an order initially recorded as an exchange of materiel or services but converted into a sale due to non-receipt of replacement materiel or services, must be credited to the appropriation or fund currently available for the same purposes for which the expenditures were made.

9.20 Debt Collection Actions

The DoW policy is to conduct timely and aggressive debt collection action, with follow-up efforts as necessary, to ensure debt owed to the DoW by a foreign entity is collected and held to an absolute minimum. All collection activity must comply with the provisions of the applicable agreement between the DoW and the foreign entity, CJCSI 2120.01E, and Volume 16, which also contains elevations procedures for foreign indebtedness.

10.0 SUPPORT OF INTERNATIONAL MILITARY ACTIVITIES

10.1 Guidance

This section assigns responsibilities and establishes guidance for the support of international organizations, and for providing reimbursable and non-reimbursable support.

10.2 Responsibilities

10.2.1. Under Secretary of War (Comptroller) (USW(C))

The USW(C) provides financial policy regarding support agreements and designates the administrative agent responsible for arranging support for U.S. military elements at an international military organization. Geographic proximity to existing support infrastructure and mission compatibility is the primary criteria used to assign administrative agent duties. Current designations are provided in Volume 11 Supplemental. The Military Services must request updates to this table as needed to reflect changes in available support infrastructure within a geographic area.

10.2.2. Secretaries of the Army and the Air Force

The Secretary of the Army must program and budget the annual U.S. contributions to the various NATO bodies in the Army Operations and Maintenance (O&M) appropriation. The Secretary of the Army must program and budget for the annual U.S. contributions to other recognized multinational headquarters, such as the NATO Force Structure and the NATO Response Force in which the U.S. participates. The Secretary of the Air Force must budget for the NATO Airborne Early Warning Program Management Agency (NAPMA).

10.2.3. Administrative Agent

The administrative agent must:

10.2.3.1. Budget for the U.S. contributions to designated non-NATO international military organizations. When the Army is not the administrative agent for a NATO body or other multinational headquarters, the designated agent provides the Army with program and budget information on the annual contribution for inclusion in the Army's O&M appropriation. Budgeting for the NAPMA constitutes an exception to this policy.

10.2.3.2. Coordinate with appropriate U.S. representatives at the international military organizations to ensure that effective procedures and controls are prescribed for budgeting, obligating, disbursing, and receiving credits incident to administering the U.S. contributions.

10.2.3.3. Program and allocate resources in a manner that will provide the international organization with the highest possible level of support consistent with financial constraints that may be imposed through the normal program and budget process.

10.2.3.4. Support U.S. military elements attached to the designated international military organization on a non-reimbursable basis unless the support is an international budget cost or is a budget responsibility of another Military Department. The standards and directives of the administrative agent govern the level and type of support furnished. The level and type of support is consistent with the highest possible level of support allowable under this section while not violating those same governing standards and directives. Support requirements based upon input provided by the U.S. military element is included in the administrative agent's annual budget. The administrative agent must obtain support from the most efficient and economical source, including local sources, while ensuring that no parallel support facility is established (see DoDI 4000.19).

10.2.3.5. Provide U.S. military elements, which are TO&E or equivalent units, with replacement consumable and non-consumable material, obtaining peculiar items when necessary, from supply systems of the parent Military Service on a reimbursable basis.

10.2.3.6. Provide U.S. military elements, which are TDA or equivalent units, both with initial and replacement consumable and nonconsumable material.

10.2.3.7. Establish a table of allowances, unit allowance lists, base allowance lists, and other authorization documents for U.S. military elements attached to the international military organization.

10.2.3.8. Budget for the cost of civilian employees of the U.S. Government assigned to positions in international military organizations. These employees retain their status as U.S. employees and are paid from U.S. funds at the appropriate U.S. scale of pay and allowances.

10.2.3.8.1. The pay and allowances are budgeted at the appropriate international pay scale by the international military organization to which they are assigned. A sum equal to the amount of such pay and allowances at the international pay scale must be collected from the international organization and reflected in the reimbursable portion of the DoW budget. The DoW direct budget must absorb any differences.

10.2.3.8.2. The U.S. civilians who occupy positions in international military organizations on a direct-hire basis (not as U.S. Government employees), as provided for by DoDI 5210.60, will be governed by the provisions of that firm offer of employment and other applicable U.S. Government regulations that deal with such employment. The international military organization concerned will remunerate those U.S. civilians at the applicable international pay scale; however, these U.S. civilians will not be entitled to the same pay and allowances or benefits as those of U.S. Government employees, except for Military Postal Access (MPS) access benefits as defined in this section.

10.2.3.8.3. The U.S. civilians who are employed by the North Atlantic Treaty Organization (NATO) on a direct-hire basis (not as U.S. Government employees) and perform functions in support of the U.S. Armed Forces have access to the U.S. Military Postal Service (MPS) at locations outside of the continental U.S.. This policy allows NATO direct hires MPS access. In accordance with 39 U.S.C. § 406, “Postal Services at Armed Forces Installations”, funds must not be obligated or expended to establish, maintain, or expand a post office established for the purpose described in this volume. Refer to the Military Postal Procedural Manual for implementing guidance on Military Postal Service support for U.S. citizens employed by NATO.

10.2.4. Secretaries of the Military Departments

The Secretaries of the Military Departments with military personnel assigned to a U.S. military element must:

10.2.4.1. Budget and fund for personnel costs of military personnel of that component included in the U.S. military element.

10.2.4.2. Budget and fund for personally assigned equipment provided to military personnel of that component included in the U.S. military element.

10.2.4.3. Make initial issuance to TO&E or equivalent units of that component assigned or attached to U.S. military elements.

10.2.4.4. Budget and fund component peculiar requirements, such as flying qualifications, medical examinations, personnel training and development, and social actions, for military personnel of that component.

10.2.4.5. Support other requirements. Costs are chargeable to the administrative agent on an interservice (reimbursable) basis.

10.2.4.6. Provide appropriate support to foreign military elements or to international military organizations unless identified in this volume as items of non-reimbursable support.

10.2.5. Head of a U.S. Military Element

The Head of a U.S. military element must support the international military organization on a non-reimbursable basis, except for the costs of a military member who is assigned to an international civilian position, or when such support requires augmentation of the element’s normal manpower, equipment, or other resources from other U.S. sources.

10.2.6. Head of a DoW Component

The Head of a DoW Component must support the international military organization and participating foreign countries on a reimbursable basis, in accordance with the AECA or the NMSA and ensure the use of appropriate internal controls and oversight measures

(e.g., support agreements manager assignments) and documentation of reimbursable support agreements to support financial audits, in accordance with DoDI 4000.19 and DoDD 5015.02.

10.2.7. Commander of a Unified Combatant Command

The Commander of a Unified Combatant Command must coordinate the activities of the administrative agents concerned in implementing this section within the command theater of operations.

10.2.8. Head of an International Military Organization

The Head of an International Military Organization must support U.S. military elements on a non-reimbursable basis for those support areas set forth in the scope of the budget for international military headquarters and agencies.

10.3 Reimbursements

10.3.1. Reimbursements due the U.S. from International Military Organizations for U.S. Personnel (Military or Civilian) occupying international civilian positions are a sum equal to the pay and allowances established for the occupied positions at the international scale must be credited to the U.S. as an offset to the U.S. contribution to the international organization.

10.3.1.1. The administrative agent must determine the amount of credit due and initiate a quarterly SF 1080, Voucher for Transfers between Appropriations and/or Funds, to transfer funds from the U.S. contribution to the international budget to the applicable financing DoW appropriation.

10.3.1.2. As an exception to this offset credit procedure, international military organizations located in the continental U.S. (CONUS), to which contributions are made in U.S. dollars, must make direct reimbursement of the international pay and allowance equivalent to the administrative agent for any U.S. personnel assigned to international civilian positions.

10.3.1.3. The administrative agent must screen the personnel administration and payroll computations for U.S. employees, as performed by the international organization, to ensure the accuracy and sufficiency of data and credits granted.

10.3.2. Reimbursements Due the U.S. from International Military Organizations for Reimbursable Support Provided Pursuant to the AECA.

When DoW services are performed, articles delivered from inventory or new procurement initiated under the authority of the AECA, the pricing and billing must be in accordance with Volume 15.

10.3.3. Reimbursements Due the U.S. from International Military Organizations for Reimbursable Support Provided Pursuant to NMSA.

When DoW services are performed or articles delivered from inventory under the authority of the NMSA, pricing must be in accordance with this volume and billing must comply with the international agreement negotiated in accordance with DoDD 2010.09.

10.3.4. Reimbursements Due the U.S. from International Military Organizations for Reimbursable Support Provided Under Authorities Other than the AECA, NMSA, or this Regulation.

10.3.4.1. Leases of real and personal property are authorized by 10 U.S.C. § 2667 and must be priced in accordance with Volume 2 and Volume 12. Property with a life expectancy of less than 3 years or a value of less than \$1,000 and provided under the authority of the AECA or NMSA must be provided on a sales basis. If DoW services or materiel are provided under authorities other than the AECA, NMSA, or this Regulation, the DoW Component providing that support must obtain a legal opinion supporting the use of such other legal authority before providing the service or materiel. The legal opinion must be retained for audit verification.

10.3.4.2. The designated official of the DoW Component furnishing the support must (a) originate promptly and in detail an SF 1080 to bill the administrative agent or the designated coordinating agent, (b) prepare the invoice for reimbursable support based on constructive delivery (c) distribute the SFs 1080 by submitting two copies of the SF 1080, with supporting details, to the international military organization receiving the services or material for verification of the charge and forwarding the original (disbursement SFs 1080) and the collection copy (SF 1080), without supporting detail, to the administrative agent or the designated coordinating agent. The designated office must also retain additional copies, with supporting details as may be required by the billing office, pending receipt of executed vouchers.

10.3.4.3. The administrative agent or the designated coordinating agent must (1) request that the comptroller of the NATO command or the appropriate international organization concerned provide a monthly listing of charges that have been accepted, and (2) ensure that such charges are reflected as offset credits to the U.S. in the contributions to the international budgets.

10.3.4.4. The coordinating agent must match the monthly listing of accepted charges with outstanding SFs 1080 and process the SFs 1080 for accepted charges as payments to the billing office. Upon receipt of the validated SFs 1080, the billing office must process the collection.

10.3.4.5. The designated coordinating agent must verify that the offset credits are applied to the U.S. contributions to the international organization through a reconciliation of individual SF 1080 billings to the monthly list of accepted charges.

10.3.4.6. When materiel or services are furnished to international military organizations that are located within the CONUS and contributions are made in U.S. dollars, the U.S. military activity providing the support is responsible for billing the international military organization directly and obtaining reimbursement in U.S. dollars.

10.4 Scope of Budget for International Military Headquarters and Agencies

The international budget includes the types of costs, except as limited by exclusions in the following paragraphs, in such order and form as may be determined by the appropriate financial reviewing authorities. The following paragraphs are illustrative of the types of costs accepted by the NATO Military Budget Committee as an international charge. The comptroller of the international military organization concerned, and the U.S. representative must be consulted if there is doubt whether the cost of any article or service is properly an international charge.

10.5 Civilian Personnel, Administrative Staff

Pay and authorized allowances of personnel employed by an international headquarters for the performance of international functions, including secretarial, clerical, or technical assistance for U.S. military and civilian personnel.

10.6 Civilian Personnel, Operational Staff

Pay and authorized allowance of personnel locally hired for custodial, industrial, or operational purposes. This includes upkeep of the premises and fixed or movable equipment used by the headquarters or its support units or fixed installations; supervision or operation of headquarters fixed and movable equipment other than office equipment; and operation of headquarters enlisted mess facilities.

10.7 Rents and Maintenance

Rental of office space, barracks, warehouses, and other commercial-type buildings, including taxes; cost of utilities, liquid and solid fuels, sewage and garbage disposal service; supplies and material for janitorial and hygienic services (national support unit barracks excluded); and supplies, material, and contractual expenses for maintenance, repair, and minor alterations to buildings and facilities, including replacement of minor installations and fixed equipment when damaged or worn beyond repair.

10.8 Operation of General Services

Stationary and general office supplies for the headquarters and all units assigned in direct support; rental of office equipment required to supplement available equipment in accordance with internationally approved standards; printing, binding, and reproduction; purchase of maps, charts, and terrain models for peace time use; newspapers, periodicals, and library supplies; photo supplies and photographic processing; and drugs and other expendable medical supplies for first aid stations.

10.9 Communications

Procurement and installation of switchboards, radio transmitters and receivers, telephone exchanges, and mobile communications equipment including related signal vehicles; rental of commercial type equipment for additional requirements; repair and maintenance of

communications equipment, including supplies and spare parts; cost of commercial communications, including installation and reinstallation charges for leased or other use of local, national, and international telephone, telegraph, and teletype circuits; and postage and postal fees.

10.10 Transportation

Rental or purchase of passenger and cargo vehicles; petroleum, oil, and lubricant products for such vehicles and other equipment used in direct support of international headquarters; supplies and spares required for organizational maintenance of vehicles and related equipment; commercial freight, local hauling, and express charges for internationally procured supply and equipment items, including shipping charges for contribution-in-kind from member nations to place of receipt.

10.11 Travel of International Staff

10.11.1. Civilian Personnel. Transportation and per diem costs of temporary duty travel on official business.

10.11.2. U.S. Military Personnel. When traveling on official business under travel orders issued by an authorized international headquarters that directs payments charged to international funds, the costs of such travel are payable as follows:

10.11.2.1. From International Funds. Cost of transportation furnished by Military Airlift Command and/or a common carrier, to include taxi fares and privately owned conveyances under previously approved conditions.

10.11.2.2. From U.S. Appropriated Funds. Per diem and other expenses authorized by U.S. travel regulations, and the costs for personnel who are members of an international military headquarters that does not maintain a centralized international budget for such purposes.

10.12 Exercises and Maneuvers

When directly related to an allied command training exercise, the cost of commercial communication services and facilities provided solely to fill a requirement of the exercise on behalf of the participating nations; civilian labor hired in connection with the exercise by the interallied headquarters and not specifically for any one nation; temporary installations for interallied field headquarters not available from organic equipment of participating troops or the headquarters and not properly chargeable to the host nation; rental of additional commercial transportation required at interallied headquarters for the exercise; utility costs for interallied headquarters if at a place other than an existing military post; and reproduction of photographs and film strips, required by the directing staff for subsequent international training or critique purposes, when the source of production is other than a military unit.

10.13 Representational and Hospitality

Representational and hospitality expenses of the Supreme Commanders for international purposes.

10.14 Contingencies

Claims for losses by fire, theft, and other damages; and costs to employ legal representation in civil court actions.

10.15 Construction

Design and new construction of buildings and facilities, including housing, structures, utilities, modification; and alteration of existing buildings and facilities, including fixed equipment, sewage, gas, water, and electrical supply systems, roads, and approaches.

10.16 Furniture and Equipment

Office furniture and equipment procured within internationally approved standards for the direct support of international headquarters and agency activities; equipment for maintenance of kitchens, shops, heating electrical plants; and furniture used in barracks, messes, recreation rooms, and dining rooms and clubs.

11.0 SALE OF SPECIAL OR TECHNICAL SERVICES TO STATE AND LOCAL GOVERNMENTS

11.1 General Guidance

The purpose of this section is to provide the policy for the sale of special or technical services to both state and local governments and provide guidance on amounts that must be recouped when the DoW Components perform these services. This guidance supplements the standards for financial accounting for receivables, and budgetary accounting for reimbursements, discussed in Volume 3 and Volume 4.

11.2 Policy Requirements

It is the policy of the Department to cooperate to the maximum extent possible with state and local governments to provide specialized or technical services. Such services generally must supplement and not supplant any services provided under other authority.

11.2.1. Types of Services

Components specialized or technical services are as follows:

11.2.1.1. Any existing statistical or other studies and compilations, development projects, results of technical tests and evaluations, technical information, surveys, reports, documents, and any such materials developed or prepared in the future to meet the needs of the federal government or to carry out normal responsibilities.

11.2.1.2. Preparation of statistical or other studies and compilations, development projects, technical tests and evaluations, technical information, surveys, reports, documents, and assistance in the conduct of such activities, and in the preparation of such materials authorized by law to conduct or prepare (1) training of the type authorized by law to conduct for DoW personnel, (2) technical aid in the preparation of proposals for development and other projects, which provide grants-in-aid or other assistance, provided such aid primarily develops recipients' capability to prepare their own proposals or (3) technical information, data processing, communications and personnel management systems services, and technical advice on improving logistical and management services normally provided within the Department under existing authorities.

11.2.1.3. Any of the specialized or technical services provided by a Component to states and their political subdivisions under other authorities also may be provided under the authority of OMB Circular No. A-97.

11.2.1.4. If a Component receives a request for specialized or technical services consistent with the OMB Circular No. A-97, and which the Component has special competence to provide, the Component must forward the request to the Assistant Secretary of War (Sustainment) (ASW(S)) for submission to OMB for review. If the validity of a service request is in doubt, the Component should forward the request to the ASW(S) for review.

11.3 Conditions Under Which Services May Be Provided

Provide specialized or technical services, covered under OMB Circular No. A-97 at the discretion of the Component head, only under the following conditions:

11.3.1. Provide such services only to states, their political subdivisions, and combinations or associations of such governments, their agencies, and instrumentalities.

11.3.2. Provide such services only upon the written request of a state or its political subdivision. Requests normally must be made by the chief executive of such entities and must be addressed to the head of the Component involved.

11.3.3. Such services may not be provided unless the servicing Component maintains similar services for its own use under the policies and procedures set forth in OMB Circular No. A-76, "Performance of Commercial Activities", and subsequent changes thereto. In addition, in accordance with the policies set forth in OMB Circular No. A-76, the requesting entity must certify that procurement of such services cannot be reasonably and quickly made through ordinary business channels.

11.3.4. Such services may not be offered if they require any staff additions or involve expenditures for additional equipment or other facilities solely for the purpose of providing such services, except when the costs of such services are charged to the user.

11.3.5. Provide such services only upon payment or arrangement for reimbursement to the Component involved by the unit of government making the request. This includes salaries and all other identifiable direct and indirect costs of performing such services.

11.3.6. Do not disseminate technical service information to third party governmental entities or associations, unless expressly authorized by the originating Component.

11.3.7. When a Component denies a service request it must provide a statement to the entity making the request indicating the reasons.

11.4 Reporting Requirements

The head of each federal agency will furnish annually to the respective Committees of the Senate and the House of Representatives a summary report on the scope of the services provided under OMB Circular No. A-97. These reports will be prepared as of the end of each calendar year and will indicate the nature of the services rendered, the names of the States and political subdivisions involved, and the cost of the work. Do not include services provided under other authorities in the reports.

12.0 MAJOR RANGE AND TEST FACILITY BASE

12.1 General

The Major Range and Test Facility Base (MRTFB) is a national asset that is sized, operated, and maintained primarily for DoW acquisition programs to provide the necessary instrumentation, infrastructure, and workforce to support developmental and operational test and evaluation, but also available to non-DoW users having a valid requirement for its capabilities.

12.1.1. The MRTFB is operated and maintained primarily for DoW test and evaluation support missions under the oversight of the Director, Test Resource Management Center (TRMC). The MRTFB provides test and evaluation support to the DoW Components responsible for developing, testing, or operating weapons systems. It serves Federal, state, local, and allied foreign governments as well as commercial users when a valid requirement for range, lab, or installed system test facility capabilities exists.

12.1.2. MRTFB missions vary from testing missiles, aircraft, and integrated space capabilities to ensuring that electrical components can survive in various environments. The MRTFB is designed to assure the most cost-effective development and testing of materiel, and warfighting capabilities and provide for inter-service compatibility, efficiency, and equity without influencing technical testing decisions or inhibiting legitimate and valid testing.

12.2 Responsibilities

DoDD 3200.11 and DoDI 3200.18 established the following financial management responsibilities of MRTFB operations.

12.2.1. Under Secretary of War Research and Engineering (USW (R&E)) specifically, the Director, TRMC will review and provide oversight of proposed DoW budgets and expenditures for the MRTFB; and coordinate MRTFB decisions affecting financial policy and matters containing a monetary value (financial and non-financial) with the USW(C).

12.2.2. Chief Information Officer (CIO) of the DoW and the Secretaries of the Military Departments:

12.2.2.1. Plans, programs, and budgets for institutional costs of operation, maintenance, and sustainability of the MRTFB; and for capability improvements, modernization, and recapitalization; and

12.2.2.2. Implements a reimbursement system to define and collect user charges in accordance with this volume.

12.2.3 MRTFB Users

12.2.3.1. Plan, budget, and fund the MRTFB activities for applicable direct and/or indirect costs; and

12.2.3.2. Promptly fund(s) the activity managing the MRTFB facilities or ranges for expenditures of any consumable items, any damage to property or equipment caused by the user in the preparation for, or conduct of, any activity on the facility or range or for direct costs incurred or executed for aborted and/or canceled tests.

12.3 General Policy

The MRTFB is managed and operated under uniform financial guidelines across the DoW Components. Accordingly, all direct and indirect costs charged to MRTFB users must be uniform and applied consistently among all the MRTFB activities. DoW Components must work with the Director, TRMC, to ensure financial uniformity and consistency. MRTFB activities' costs are billed to (1) MRTFB users, (2) direct appropriations of the managing activity, or (3) other sources as directed by DoW.

12.4 MRTFB Costs

DoW Components (including DoW training) and Non-DoW Components use an MRTFB Activity. The MRTFB charges DoW Component users only direct costs. The MRTFB charges Non-DoW Component user direct costs plus an appropriate level of indirect costs. Non-DoW users must not increase the institutions' costs to the DoW to operate the MRTFB.

12.4 Accounting

12.4.1. Cost information sets fees and reimbursements. Each MRTFB activity must accumulate, and report as required, the costs of its activities for management and audit purposes. In accordance with the SFFAS 4, “Managerial Cost Accounting Standards & Concepts”, costs must be accumulated by using cost accounting systems. Such systems must accurately capture full costs (i.e., direct costs or costs directly attributed to a specific user; and indirect costs or costs that cannot be directly attributed to a specific user) and determine user charges or standard rates.

12.4.2. Additionally, appropriate separation of duties and levels of authorization must be implemented into the cost-tracking process to protect vulnerable areas such as controls over automatic user billing and rate validation. All rates must be applicable to the specific product or service provided. Each MRTFB activity must validate standard rates at least annually and adjust them accordingly to reflect unanticipated changes in costs or market values.

12.4.3. In accordance with DoDD 3200.11, MRTFB activities are categorized as Army, Navy, Air Force, Space Force, or DoW CIO. Specifically, multiple assets comprise MRTFB activities, each of which is reported individually on its respective consolidated Balance Sheet under General Property, Plant, and Equipment and further disclosed in Note 10 to the financial statements.

12.5 Reimbursements for MRTFB Activity Usage

12.5.1. In accordance with DoDI 4000.19, MRTFB activities and DoW or Non-DoW, Federal Component users must use support agreements (MOA or MOU) to document and establish the GT&C between buyers and sellers for all inter- and intra-governmental reimbursable transactions. Additionally, in accordance with Volume 1, buyers and sellers must adhere to and properly annotate the SLOA when generating or accepting a reimbursable order (i.e., Military Interdepartmental Purchase Request). Moreover, reimbursement of direct costs incurred for prepositioning test instrumentation or assets for executed, aborted or canceled tests or for damages to property or equipment caused by a user in the preparation for, or conduct of, any activity on the facility or range; and consumables expended for an executed, aborted or canceled test must be pursued to the extent permitted by law and DoW policy.

12.5.2. For support agreements established during and or after FY 2017 and whose terms extend beyond FY 2017, MRTFB activities and DoW or Non-DoW Federal Component users must upload and store their agreements on the Department of the Treasury’s G-Invoicing platform.

12.5.3. Working Capital Fund Activities. MRTFB activities using WCFs, fund operations through reimbursable inter-governmental orders and user fees collected from non-Federal users. Under the stabilized price standardized cost recovery method, Component managers of WCF activities must set rates/prices based on full cost recovery and must charge users in accordance with established pricing policies contained in Volume 2 and within the Working Capital section of this volume.

12.5.4. Non-Working Capital Fund Activities. MRTFB activities not using WCFs fund operations through direct appropriations, reimbursable inter-governmental orders, and/or user fees collected from non-Federal users.

12.5.4.1. DoW Component Users reimburse MRTFB activities for direct costs identifiable with a particular program or user order. MRTFB bills direct costs in accordance with this volume attributable to a job or function supporting a user order. One or more DoW users of an MRTFB activity, by mutual agreement, may fund investments in new or existing test and evaluation facilities. This agreement, however, must explicitly delineate responsibilities for asset ownership/capitalization, funding, staffing, operating, and maintaining the facility, and must be approved by all parties prior to obligating any funds for the project.

12.5.4.1.1. Investments made that change the composition of the MRTFB must conform to DoDI 3200.18.

12.5.4.1.2. Direct incremental costs (i.e., costs resulting from an increase in production) must be charged to DoW Component users.

12.5.4.1.3. Indirect Costs. MRTFB activity's must not charge DoW Component users for indirect costs. Overhead costs must remain fully borne by and paid for by the institutionally funded program element accounts comprising the MRTFB's budgetary structure. Indirect incremental costs are not charged to DoW Components.

12.5.4.1.4. Military Personnel Costs. As a rule, the applicable military personnel appropriations must fund the cost of direct (and indirect) military labor incurred in the performance of a service for, or the furnishing of materials to, another DoW Component user. Therefore, since a direct appropriation funds military labor, do not charge the cost of military labor for non-WCF activity. WCF activities must be reimbursed by their users for the cost of military labor as prescribed in this volume.

12.5.4.2. Non-DoW Component Users

12.5.4.2.1. Direct Costs. Charge non-DoW Component users for MRTFB direct costs readily identifiable with a particular program or user order. Charge military labor incurred by non-Working Capital Fund activities to non-DoW Component users based on the actual hours worked or assigned. Price military personnel costs at the composite standard military pay rates in accordance with this volume.

12.5.4.2.2. Indirect Costs. Non-DoW Component users are to be charged and must reimburse MRTFB activities for indirect incremental costs unless such support is required by statute or (1) is authorized by DoW Joint Ethics Regulation or DoW Public Affairs guidance; or (2) is provided after approval of an exception, in writing.

12.5.4.2.3. Requests for exceptions may only be approved by the SecWar, the Deputy SecWar, the Chief Management Officer (if authorized by existing policy), the

Secretaries of the Military Departments (if authorized by existing DoW policy), and the USW (if authorized by existing DoW policy).

12.5.5. Foreign Military Sales. Foreign Military Sales (FMS) users must reimburse MRTFB activities in accordance with Volume 15. Foreign user countries or foreign commercial entities must purchase services from MRTFB activities through FMS procedures authorized under the Arms Export Control Act.

12.5.6. Government-Furnished Services. When an MRTFB activity is included in a contractual agreement as government-furnished services, the user must be charged based on the category of the contracting government agency in this volume.

12.6 Disposition of Collections

12.6.1. Working Capital Fund Activities. WCF MRTFB activities are funded through inter-governmental orders and user fees collected from non-Federal users. 10 U.S.C. § 2208(h) provides general authority for retention and use of amounts collected under both inter-governmental orders and user fees. Reimbursable inter-governmental orders are valid budgetary resources available to an MRTFB activity for obligation; however, an MFTRB activity financed using WCFs must recognize user fees as a budgetary resource when collected from a non-Federal user.

12.6.2. Non-Working Capital Fund Activities. For an MRTFB activity not financed using WCFs, its operations are financed through direct appropriations, reimbursable inter-governmental orders, and/or user fees collected from non-Federal users. Inter-governmental orders under reimbursable statutory authorities such as the Economy Act increase available budgetary resources financing the MRTFB. If a statutory miscellaneous receipts exception is applicable to a reimbursable transaction with a non-Federal user, user charges collected may be credited to the applicable direct appropriation reimbursable program. 10 U.S.C. § 4175(d) authorizes certain transactions with commercial entities conducting MRTFB test and evaluation activities.

13.0 DOW SUPPORT TO UNITED STATES COMMERCIAL SPACE ACTIVITIES

13.1 General Policy

This section provides reimbursable policy for the provision of DoW support to U.S. commercial space activities. This section also applies to all DoW Components that provide support to the U.S. commercial sector in the development of U.S. commercial space launch operations and other related U.S. commercial space activities.

13.2 Pricing of DoW Space Launch Property and Services

13.2.1. Property Sale or Transfer

13.2.1.1. DoW space launch property that is excess or otherwise not needed for public use may be sold or transferred in lieu of sale to U.S. commercial sector launch vehicle

operators performing commercial space activities (e.g., payload retrieval services, payload processing services). The transaction must be priced to recover direct costs, as defined in this volume.

13.2.1.2. Lease/License. DoW space launch property that is excess or otherwise not needed for public use may be leased/licensed, on a non-interference basis, to U.S. commercial sector launch vehicle operators performing commercial space activities. The transaction must be priced to recover direct costs in this volume.

13.2.2. DoW Space Launch Services

13.2.2.1. The acquisition price represents an amount equal to the direct costs defined in this volume.

13.2.2.2. For commercial space launch services, customers will be charged direct costs and may be charged indirect costs.

13.3 Fixed Price Estimates

Commercial space launch operators may be offered fixed price quotes for the sale of DoW launch services based on reasonable estimates of direct costs only when there is a well-defined contractor requirement and a reliable cost history of similar previous sales. Indirect costs may also be included.

13.4 Billing

Invoices for support provided by DoW must be completed and transmitted to the U.S. commercial space activity within 30 calendar days after the month in which the performance occurred. The payment due date must be no more than 30 days from the date of the invoice.

13.5 Disposition of Collections

13.5.1. Proceeds from the Sale of DoW Launch Property

For non-DWCF activities, credit proceeds to the general fund of the U.S. Treasury as miscellaneous receipts when not replacing the launch property. If replacing the launch property, deposit proceeds to the DoW appropriation account or fund currently available for its procurement.

13.5.2. Proceeds Deposits for License of Launch Property and Leases

Deposit proceeds from the license of launch property into the DoW appropriation account or fund currently available to finance the direct costs incurred. Credit proceeds from leases to the general fund of the U.S. Treasury as miscellaneous receipts.

13.5.3. Proceeds Deposits from the Sale of Launch Services

Deposit proceeds from the sale of DoW launch services into the DoW appropriation account or fund that financed the provisioning of those launch services. Credit these proceeds to the fiscal year in which the DoW Component provided the services

14.0 DISPOSITION OF PROCEEDS OR FEES FOR SERVICES PROVIDED BY OR THROUGH THE USE OF A DOW LABORATORY, CENTER, RANGE, OR OTHER TESTING FACILITY

14.1 General Policy

The DoW promotes research and development within the commercial sector of the U.S. economy by transferring technology and information from the Department to the commercial sector. This policy strengthens both national and economic security by establishing a national technology and industrial base to sustain military superiority and increase U.S. production capabilities. The transfer of technology and information from the Department to the commercial sector enables critical research and leads to the development of both useful military and/or commercial technology.

14.2 Conditions Governing Selling, Renting, and Lending

Authorization to Sell, Rent, Lend, Give, or Charge an Appropriate Fee. 10 U.S.C. § 4892 authorizes the SecWar or the Secretaries of the Military Departments concerned, in the interest of national defense, to:

14.2.1. Sell, rent, lend, or give samples, drawings, and manufacturing or other information (subject to the rights of third parties) to any person or entity.

14.2.2. Sell, rent, or lend Department equipment or materials to any person or entity for use in IR&D programs subject to the condition that the equipment or material be used exclusively for such research and development, or use in demonstrations to a friendly foreign government.

14.2.3. Make available to any person or entity, at an appropriate fee, the services of any Department laboratory, center, range, or other testing facility for the testing of materials, equipment, models, computer software, and other items; and

14.2.4. Make available to any person or entity, through leases, contracts, or other appropriate arrangements, the facilities, services, and equipment of any Department laboratory, research center, or range, if the facilities, services, and equipment provided will not be in direct competition with the domestic private sector.

14.3 Fee Determination Policies

In selling or leasing property or providing services or in making facilities, equipment, and other items, the DoW should charge appropriate fees in a manner consistent with 10 U.S.C. § 4123, 31 U.S.C. § 9701, and OMB Circular No. A-25.

14.4 Fees for Defense Laboratories Research and Development

14.4.1. 10 U.S.C. § 4123 authorizes a director of a defense laboratory to charge customer activities a fixed percentage fee (not to exceed four percent of costs), above normal costs of performance, to obtain funds to carry out four authorized activities. The defense laboratory director must first consult with the science and technology executive of the military department concerned.

14.4.2. Activities eligible for funding are:

14.4.2.1. Innovative basic and applied research that is conducted at the defense laboratory and supports military missions.

14.4.2.2. Development programs that support the transition of technologies developed by the defense laboratory into operational use.

14.4.2.3. Development activities that improve the capacity of the defense laboratory to recruit and retain personnel with necessary scientific and engineering expertise that support military missions; and

14.4.2.4. Repair or minor military construction of the laboratory infrastructure and equipment, only if the SecWar notifies the congressional defense committees of the total cost of the project before the start date; and ensures the project complies with the applicable cost limitations in 10 U.S.C. §§ 2805(d) and 2811.

14.5 General Policy on Proceeds or Fees

14.5.1. 31 U.S.C. § 9701 gives DoW the authority to charge fees to be self-sustaining as much as possible for services, sales, and rentals provided to a person (except a person on official business of the Department). The word person includes groups, associations, organizations, partnerships, corporations, and other businesses. Accordingly, the SecWar is authorized to prescribe regulations establishing the charge for a service or thing of value provided by the Department.

14.5.2. The sales price, rental and service fees must be calculated in accordance with guidance outlined in this section. 10 U.S.C. § 4892 prohibits these fees from exceeding the full amount of all direct and indirect costs incurred by the Department. DoW WCF activities must establish stabilized rates and unit prices for goods and services.

14.5.3. Internal controls must be established in accordance with 31 U.S.C. § 3512, OMB Circular No. A-123, GAO-14-704G and DoDI 5010.40. Managers of DoW Components must be able to identify, measure, and assess risks related to mission delivery in establishing, collecting and reporting sales price and fees. The determination as to the effectiveness of internal controls must be justified, documented, and be able to stand up to audit scrutiny in accordance with the DoW Financial Statement Audit Requirements and Overview Guide as amended (DoW Common Access Card enabled access only).

14.5.4. OMB Circular A-25 requires DoW to initiate and adopt user charge schedules. In addition, these schedules must be reviewed biennially to ensure the charges are properly applied and adequately adjusted for changes in costs or market values. Furthermore, the biennial review of user fees must be published and discussed in the annual DoW AFR. The CFO Act of 1990 requires the publication of the DoW annual AFR.

14.5.5. When a Department laboratory, center, range, or testing facility decides to sell, rent, lend or give samples, drawings, information, or equipment or charge a fee for services subject to DoDI 5535.11, then the financial management policy regarding calculation, collection, and disposition of proceeds or fees must be followed.

14.6 Calculation of Sales Price

14.6.1. In general, the sales price of samples, drawings, information, equipment, or materials will be calculated or determined prior to or at the time of the sale. When calculating or determining the sales price of such assets, consideration must be given to (1) fair value; (2) historical cost less depreciation book value; (3) replacement cost; (4) net realizable value; (5) discounted (Cash) price used when selling an asset to a state or local agency; (6) without charge when reutilizing an asset within DoW, transferring an asset to another Federal agency, or donating an asset to a state or local agency; and (7) the specific mission, goals, and/or objectives of the research and development project associated with a particular asset's sale.

14.6.2. Additional guidance on the sale (and disposal) of DoW property can be found on the website for DLA Disposition Services. Moreover, specific guidance regarding property disposal can be found in DoDM 4160.21-V1 and DLA I 4160.01.

14.7 Calculation of Fees

14.7.1. When DoW services, facilities, or equipment are made available, an appropriate user fee must be imposed by the DoW Component providing the service, facility, or equipment to recoup the total cost incurred.

14.7.1.1. In accordance with 10 U.S.C. § 4892, user fees may not exceed the amount necessary to recoup the direct and indirect costs incurred (i.e., total or full costs) by providing the service, facility, or equipment. However, DoDI 5535.11 allows for the elimination of indirect costs when approved by the director or commander, prior to providing the service or use of facilities and equipment.

14.7.1.2. Costs may include capital improvement costs, utility costs, depreciation, contractor support, salaries of personnel, and all other ancillary support costs. Refer to DoDI 5535.11.

14.7.1.3. Specific policy pertaining to the calculation (i.e., identification of specific costs) and reporting of fees for the provision of services, equipment, and facilities under the authority of OMB Circular A-25.

14.7.2. When approved by the laboratory directors, facility directors, and/or commanders, prior to providing the service or use of facilities and/or equipment, all or a portion of the indirect costs may be eliminated from the fee. Fees charged for services at less than total costs are permitted only when there is a compelling reason, or it is determined that it is to be in the best interest of national defense.

14.7.2.1. Special consideration as to recovery of less than full costs may be given when (1) the recipient of the benefit is engaged in a nonprofit activity designed for public safety, health, or welfare; (2) Payments of full fees by a state, local government, or nonprofit activity would not be in the Department's best interest; or (3) the laboratory directors, facility directors, and/or commanders have determined the administrative costs of determining and collecting the full fees would outweigh the benefits to the Component.

14.7.2.2. When less than full cost is charged, laboratory directors, facility directors, and commanders must maintain adequate documentation justifying or supporting each decision. Such documentation must address the criteria outlined in this volume and be available for audits or inspections and for review by higher authorities.

14.7.3. DoW WCF laboratories and facilities must use standard (stabilized) rates to establish fees in accordance with Volume 11, and DoW Components designated as MRTFBs must determine costs and fees.

14.8 Collection of Proceeds or Fees

14.8.1. DoW Components should make every effort to collect proceeds or fees electronically, (e.g., electronic funds transfer), and utilize, as applicable, the collection services provided by the Treasury's Bureau of the Fiscal Service (Fiscal Service) as outlined in the TFM and further described in Volume 5. Moreover, support agreements with DoW Components or other Federal Government agencies, contract agreements with private parties or entities that are established in conjunction with sales, rentals, or lending of property and fees received for services should include requirements to use, as applicable, the collection services provided by the Fiscal Service.

14.8.2. In accordance with OMB Circular A-25, user fees must be collected in advance of, or simultaneously with, the rendering of services unless appropriations and authority are provided to allow for reimbursable services.

14.8.3. All fees for services that incur variable costs over time, such as personnel or utility costs, may be collected incrementally over time.

14.9 Disposition of Proceeds or Fees Received

14.9.1. A DoW official or agent must safely keep public money in his/her custody or possession in accordance with 31 U.S.C. § 3302. The code prohibits lending, using public money, depositing the money in a bank, or exchanging it for other amounts. The code requires depositing the money in the Treasury not later than 3 days upon receipt. The Secretary of the Treasury may prescribe another timeframe requirement. The SecWar may allow an official or agent to incur expenses to collect, keep, transfer, and pay out public money.

14.9.2. Proceeds received from sales or rentals provided must be credited to the General Fund of the Treasury as miscellaneous receipts as required by 31 U.S.C. § 3302 and DoDI 5535.11.

14.9.3. Under authority of 10 U.S.C. § 4892, fees collected for services or when making facilities, equipment, and other items may be credited to the appropriations or other funds of the Component making such services, facilities, and equipment available.

14.10 Warranties and Liabilities

All transfers of property or services of whatever nature made pursuant to this policy must be without any express or implied warranty. This means the recipient of the property or services must agree in writing to hold harmless and indemnify the Department from any liability or claim for damages or injury to any person or property arising out of the property or services provided.

14.11 Liability for Loss of or Damage to Property of the Department

The written support agreement or contract with an individual, company, corporation, or organization must include a clause stating the Department will be reimbursed for any losses or damages arising out of or in conjunction with the use of DoW property. Refer to Volume 12, for guidance on how to assess financial liability.

15.0 TRAINING OF SPECIAL OPERATIONS FORCES WITH FRIENDLY FOREIGN FORCES

15.1 General Policy

This section provides accounting and reporting procedures to implement provisions of 10 U.S.C. § 322 that are related to the training of special operations forces with friendly foreign forces.

15.2 Payment of Training Expenses

15.2.1. Expenses of overseas training of U.S. special operations forces, to include civil affairs forces and psychological operations forces, assigned to the combatant commander in conjunction with training, and training with, armed forces and other security forces of a friendly foreign country.

15.2.2. Expenses of deploying such special operations forces, including civil affairs forces and psychological operations forces, for that training.

15.2.3. Incremental expenses incurred, in the case of training in conjunction with a friendly developing country, by that country as the direct result of such training. The term, “incremental expenses,” with respect to a developing country, means the reasonable and proper costs of rations, fuel, training ammunition, transportation (except to and from the continental U.S. or from one country to another country), and other goods and services consumed by such country, except that the term does not include pay, allowances, and other normal costs of such country’s personnel.

15.2.4. Purpose of Training

The primary purpose of the overseas training activities must be the training of special operations forces of the combatant commands. Training of foreign forces may not be the primary purpose.

15.3 Accounting Policy

Departmental funds expended to facilitate the participation of friendly foreign forces training with U.S. special operations forces must be incurred and reported under the following guidelines:

15.3.1. Funding for training of U.S. personnel may include amounts for training expenses authorized in 10 U.S.C. § 322. The funding source for these proposed payments must be funds made available to the applicable DoW Component for these purposes.

15.3.2. Prior to the commencement of the training, agreement on implementing arrangements should be reached in terms of the types and scope of non-financial support and financial contributions provided by the U.S. to a foreign country or by a foreign country to the U.S. To protect the interests of the U.S., the essential terms of the arrangement should normally be documented in writing and a copy of the document provided to the foreign country. In addition, the arrangement should request that each participating country identify both physical and financial contributions to the training effort and the amount of expenses paid related thereto. Formal foreign agreements, under the provisions of DoDI 5530.03, “International Agreements,” are not required with respect to these implementing arrangements.

15.3.3. If the participating country is unable to identify its expenses in time to meet reporting requirements, then knowledgeable U.S. personnel will estimate that participant’s contributions, and the value of expenses paid in U.S. dollar equivalents at the exchange rate in effect at the time of the

training. Estimates of a participating country's contributions may be calculated using relative factors of comparable costs for similar U.S. training activities.

15.3.4. Arrangements with a friendly developing country may provide for financial or in-kind payment to the developing country by the U.S. for incremental expenses incurred by that country as a direct result of such training. "Incremental expenses" are defined in the FMR glossary.

15.3.5. Arrangements with a friendly country also may provide for payment to that country by the U.S. for the costs of support provided to U.S. personnel by the host country. Expenses that may be paid under the terms of an arrangement with a friendly country for the support provided to U.S. personnel by that country are limited to those types of expenses included in the definition of incremental expenses.

15.3.6. For expenses that are paid to a friendly country, either incremental costs incurred by a developing country or support provided by a host country to U.S. personnel, the arrangement must stipulate that the host country provides, in advance of payment, appropriate documentation to support the payment. This documentation must include dates, quantities, units, and costs so that the senior U.S. official can determine the reasonableness and propriety of such costs, in U.S. dollar equivalents at current exchange rates, for the various types of authorized expenses incurred.

15.3.7. The annual report requires a determination of both financial and non-financial contributions to the training effort and the amount of related expenses paid by the participants in such training. Financial and non-financial contributions include all costs that are incurred because of the training. The accounting records from which the contributions are reported must include the separate identification of all the costs incurred, such as: (a) rations, fuel, and training ammunition, (b) personnel (including lodging and per diem costs) for other than normal pay and allowances, (c) costs associated with training areas, firing ranges, storage sites, and other similar items and facilities used during the training. These costs must be attributable directly to such training, and (d) all transportation of personnel, equipment and supplies to and from the training area.

15.3.8. The operations and maintenance funds expensed under 10 U.S.C. § 322, are not used to supplement other accounts, to circumvent budget ceilings established for other accounts, or to assume the mission of programs funded from other accounts.

15.3.9. 10 U.S.C. § 322 authorizes the Department to program and expend operation and maintenance funds to train U.S. special operations forces, including civil affairs forces and psychological operations forces, with friendly foreign nations. It does not provide authority to conduct any type of training activity that the Department otherwise cannot legally conduct. Any training activity funded under this statutory authority must be conducted in accordance with DoW directives, regulations, and instructions, and all other applicable interagency procedures.

15.4 Annual Report by U.S. Unified Combatant Commands

Funds expended under the authority of 10 U.S.C. § 322 must be reported by the appropriate combatant commands on a FY basis to the Assistant Secretary of War (Special Operations/Low Intensity Conflict (ASW(SO/LIC))) to arrive not later than February 1 of each year. Each FY report

submitted by the combatant commands must be organized by theater and presented for each country in alphabetical order with each joint combined exchange training (JCET) deployment listed in chronological order. The reporting of classified training activities, if any, must be properly classified and the classification prominently identified. Each report must specify the following:

15.4.1. All countries in which training was conducted

15.4.2. The type of training conducted in each country for each JCET, including whether such training was related to counter-narcotics or counter-terrorism activities; the date and duration of that training; the number of U.S. military personnel involved; and the total expenses paid by the U.S. Total expenses paid by the U.S. must be the total of (1) amounts paid for deploying and training U.S. special operations forces, including the costs listed in this section; (2) amounts paid to a foreign country for support provided to U.S. personnel, and (3) financial payments to a developing foreign country for incremental expenses.

15.4.3. The extent of participation by foreign military forces, including the number and service affiliation of foreign military personnel involved and the physical and financial contribution of each host nation to the training effort.

15.4.4. The relationship of that training to other overseas training programs conducted by U.S. Armed Forces, such as military exercise programs sponsored by the Joint Chiefs of Staff, military exercise programs sponsored by a U.S. unified combatant command, and military training activities sponsored by a Military Department (including deployments for training, short duration exercises and other similar unit training events).

15.5 Consolidated Budget Display for DoW Security Cooperation Programs

15.5.1. The DASW for Security Cooperation (DASW(SC)), must receive from ASW(SO/LIC) by August 1 each year budget request data for activities conducted in the subsequent fiscal year, including the specific country or region pursuant to 10 U.S.C. § 322 for the purpose of developing a Consolidated Budget Display in accordance with 10 U.S.C. § 381(a).

15.5.2. The Under Secretary of War (Policy) (USW(P)) must submit a consolidated budget for all security programs and activities of the DoW each year, consistent with the submission of the President's annual budget request.

15.6 Semiannual Report on Use of Funds for DoW Security Cooperation Programs

15.6.1. The Combatant Commands must transmit to the Director, Defense Security Cooperation Agency (DSCA), no later than 15 days after the end of each calendar quarter, the cumulative total of all obligations and expenditures related to 10 U.S.C. § 322.

15.6.2. The Director, DSCA must transmit to the appropriate subcommittees of Congress a report on the obligation and expenditure of funds for security cooperation programs and activities of the DoW in accordance with 10 U.S.C. § 381(b), by not later than August 31 for the first

six-month period of that year; and February 28 of each year for the second six-month period of the previous year.

15.7 Annual Report by the Secretary of War

15.7.1. The ASW(SO/LIC) must receive reports from the commander of the special operations command, and the commander of any other unified or specified combatant command, as described in this section, and compile those reports into a single document and forward it to the USW(P).

15.7.2. The USW(P) must, not later than April 1 of each year, submit on behalf of the Secretary of War the required annual report to the Armed Services and Foreign Relations Committees of the Senate and the National Security and Foreign Affairs Committees of the House of Representatives.

15.7.3. The annual report must cover training during the preceding fiscal year for which expenses were paid under 10 U.S.C. § 322.

16.0 ACCOUNTING FOR PRODUCTION AND SALE OF FOREST PRODUCTS

16.1 General Policy

This section establishes the policy to account for the production and sale of forest products. This section also assigns responsibility for DoW reimbursement and for the entitlement of a state to a share in the net proceeds derived from forest products sold from military installations or facilities.

16.2 Applicability and Scope

The policies established by this section:

16.2.1. Apply to the OSW and to the Military Departments (MilDeps, including their Reserve Components). The term “Military Services,” as used herein, refers to the Army, Navy, Air Force, and Marine Corps.

16.2.2. Cover forest products production and sales programs on military installations or facilities in the U.S.

16.2.3. Do not apply to forestry activities within the civil programs of the U.S. Army Corps of Engineers (USACE) or to the state-owned National Guard installations.

16.3 Policy

16.3.1. DoW appropriations that incur obligations to fund the production and sale of forest products must be reimbursed from collections made because of the sale of those products.

16.3.2. Remaining collections are disposed of, as follows:

16.3.2.1. Distribute forty (40) percent of installation net proceeds to the state that includes the military installation or facility from which forest products were sold during a fiscal year. If the installation or facility is in more than one state, each state shares the proceeds proportional to the installation or facility area in each state.

16.3.2.2. Disburse to each state and transfer any remaining amount to the reserve account. If collections from the sale of forest products are inadequate, production and sale obligations may be financed either from the appropriation accounts or from transfers from the reserve account when other sources of funds are not available in a timely manner. If a disbursement to a state is rejected or cannot occur, then the transfer will be deposited into the Reserve account.

16.4 DoW Forestry Reserve Account (DoW FRA)

A DoW reserve account must be established. This account may be used for (1) improvements of forest lands; (2) unanticipated contingencies in the administration of forest lands and the production of forest products for which other sources of funds are not available in a timely manner; (3) natural resource management that implements approved plans and agreements; and (4) the balance must not exceed \$4 million on December 31 of any calendar year. Unobligated balances exceeding \$4 million on that date are deposited in the U.S. Treasury General Fund Miscellaneous Receipts Account.

16.5 Accounting and Reimbursements

16.5.1. Proceeds collected from forestry sales must be turned over to the supporting DoW disbursing officer. The MilDeps must use the Treasury Appropriation Fund Symbols (TAFS) identified in the Volume 11 Supplemental, Table 16-1, to ensure proper accounting and reporting of proceeds from the sales of DoW forestry products. 10 U.S.C. § 2665 provides complete guidance for collections and disbursements related to the Forestry Products Program. Annually, MilDeps must forecast and communicate requirements to their respective Forestry Program Manager and Budget Officer to facilitate the accurate apportionment of Forestry Program funding.

16.5.2. The Department of the Army is the only MilDep authorized to use special fund account 21*5285, "Forestry Reserve Account" (FRA), for its annual Forestry Products Program. The Army manages, on behalf of the OSW, the FRA separately from its annual apportionment and ensures the FRA balance within 21*5285 does not exceed the \$4 million unobligated balance threshold by December 31 of each calendar year. The Department of the Navy and Department of the Air Force collect and execute (obligate and disburse) the Forestry Products Program proceeds using their General Fund (GF) and Operation and Maintenance (O&M) accounts. That portion of the proceeds used to finance reimbursable expenses must be transferred to the funding O&M or procurement appropriation in accordance with annual budget guidance. The Volume 11 Supplemental detail the applicable TAFS.

16.5.3. The MilDeps must validate the accuracy and completeness of their Forestry account transactions, maintain auditability of their Forestry account transactions, and transfer all residual funding to the DoW FRA by the first week of December of each calendar year. The MilDeps must obligate and disburse Forestry Program proceeds only for purposes specifically authorized in 10 U.S.C. § 2665.

16.5.4. All MilDeps are prohibited from using the Budget Clearing Account (suspense) F3875 to record and report forestry product proceeds. Each MilDep received instructions to develop standard operating Supplementing their process to ensure all future collections and disbursements in the program are in accordance with this policy.

16.6 Compute Entitlements

16.6.1. Compute entitlements to each state in accordance with 10 U.S.C. § 2665(e). Determine these entitlements based on a separate calculation for each military installation or facility from which forest products were sold in that fiscal year.

16.6.2. Maintain records for each military installation or facility concerned to effect sales proceeds and reimbursable program obligations by fiscal year. If a military installation or facility is in more than one state, make payments proportional to the area of the installation or facility situated in each state. If an installation or facility is in more than one county within a state, a description of the areas (acres) of the installation or facility situated in each county may accompany that state's entitlement.

16.6.3. Disburse states' entitlements within 90 days after the end of the fiscal year. Pay by electronic funds transfer.

16.7 Distribute Net Proceeds

As directed by the USW (Acquisition and Sustainment) (A&S) or designee, in coordination with the OUSW(C), distribute net proceeds among the MilDeps to meet the overall funding requirements of the DoW forestry program.

16.8 Coordinating and Reporting Requirements

The Volume 11 Supplemental contains USW(A&S) coordinating and reporting requirements. The Forest Products Sales Program report has been assigned Report Control Symbol DD-A&T(Q&A)1649.

16.9 Responsibilities

16.9.1. The USW(A&S) or designee must issue and monitor policy on forest management of DoW lands in accordance with DoDI 4715.03, "Natural Resources Management and advise the MilDeps of potential downward adjustments in funding for the program during the year if timely receipt of anticipated proceeds becomes doubtful.

16.9.2. The Secretaries of the MilDeps must:

16.9.2.1. Prepare annual forestry program budgets for the coming fiscal year that include anticipated sales revenue, program obligations, states' entitlements, unfinanced requirements, and transfers. Refer to "Coordination and Reporting Requirements" in the Volume 11 Supplemental for due date and other reporting information.

16.9.2.2. Ensure that all proposed obligations are related directly to the economical production and sale of forest products, consistent with DoDI 4715.03.

16.9.2.3. Ensure that no unplanned program obligations are incurred simply to "exhaust" proceeds.

16.9.2.4. Adjust the program downward during the year by reducing planned obligations if actual proceeds do not materialize at anticipated levels and sufficient funding cannot be obtained from the reserve account.

16.9.2.5. Ensure that all program obligations are accumulated in DoW appropriation accounts and that reimbursements and distributions to states and the use of funds from the DoW Reserve Account conform to Economy Action limitations and justifications.

16.9.2.6. Coordinate approved budgets with the USW(A&S) or designee to assist in planning and trade-off analysis and to ensure the effective and efficient functioning of the overall DoW program.

16.9.2.7. Review the cumulative total obligations incurred, estimated program obligations, cumulative revenue, and realistic estimates of future revenue to determine whether DoW forests remain capable of economic production.

16.9.2.8. Identify to the DoW Supporting Agent (SA) the official who is authorized to transfer surplus funds and accept reserve funds.

17.0 OFFSETTING RECEIPTS

17.1 General Standards

This policy must be used in addition to the accounting principles, standards, and guidance established in Volumes 4, 6, and 12.

17.2 Budgeting Standards

17.2.1. Budgeting standards for offsetting receipts are prescribed by the OMB Circular No. A-11, Preparation, Submission, and Execution of the Budget.

17.2.2. Preparation of budget justification requirements is also prescribed in Volume 2. OMB adopted a single format to present information within the SF 132, SF 133 and Schedule P.

The realignment employs three common data sections, Budgetary Resources; Change in Obligated Balance; and Budget Authority and Outlays, Net. The SF 133, Schedule P, and Statement of Budgetary Resources (SBR) will use all three of the sections, and the SF 132 will use the common Budgetary Resources.

17.3 Accounting and Reporting Standards for Offsetting Receipts

17.3.1. Offsetting receipts within the Department are collections from the public that result from businesslike transactions such as sales of property, rental fees, or sales of services. These miscellaneous proprietary receipts are recorded using receipt account symbols prescribed by the Treasury FAST Book. The Transaction Library and Standard Reporting Chart of Accounts are available on the ODCFO Standard Financial Information Structure (SFIS) web page. The web page also provides the DoW U.S. Standard General Ledger (USSGL) proprietary accounting entries and transaction illustrations.

17.3.2. Offsetting receipts that are not readily classified into established categories must be temporarily accounted for in the Budget Clearing Account (suspense), F3875. All efforts must be made to identify and clear out suspense accounts and record these receipts properly into the applicable categories listed above within 60 calendar days as discussed in Volume 5.

17.3.3. All offsetting receipts must be recorded immediately upon receipt and deposited with the Department of the Treasury as soon as practicable. Any delays in borrowing or deposit preclude the use of the funds by the Treasury Department to benefit the U.S. Government through the avoidance of interest expense.

17.3.4. Offsetting receipt amounts reported by DoW Components must agree with the collections credited to receipt accounts maintained by the Department of the Treasury. Those DoW Components that prepare consolidated reports must obtain the required information from applicable organizations and ensure that the amounts reported agree with balances reflected by the Department of the Treasury.

17.3.5. FMS Form 1220. Actual offsetting receipts must be reported monthly on FMS Form 1220, "Statement of Transactions According to Appropriations, Funds and Receipt Accounts" in accordance with the TFX as prescribed in Volume 6.

17.3.6. SF 133 Report. Unless required by OMB, do not submit SF 133 reports for deposit funds, receipt accounts (including clearing accounts and suspense accounts), and closed Treasury Appropriation Fund Symbol (TAFS) (TAFS with canceled balances). Distributed offsetting receipts credited to Components must be included in the SBR. Undistributed offsetting receipts credited to the government-wide outlay totals should not be included in the SBR.

17.3.6.1. The SF 133 report is divided into four sections - Budgetary Resources; SBR; Change in Obligated Balance; and Budget Authority and Outlays, Net. Procedures on monthly budget execution reporting are prescribed in Volume 6." Submit these reports monthly to the Director for the OUSW(C) Program and Budget (P/B). Offsetting receipt amounts reported on these reports must equal the amounts deposited with the U.S. Treasury.

17.3.6.2. Submit a separate SF 133 report for each group of offsetting receipt accounts as part of the basic appropriation report. Separate SF 133 reports are required for Federal funds and trust funds aligned to the Military Functions, Civil Functions and Military Assistance functional groups.

17.3.6.3. Separate SF 133 reports are required within any of the foregoing groups if the receipts consist of proprietary receipts from the public (P), interfund receipts (ID), and/ or Federal intrafund receipts (IF), including those receipts in Budget Clearing Account (suspense), F3885.

17.4 Proprietary and Budgetary General Ledgers

17.4.1. Offsetting receipts must be recorded in the proprietary and budgetary general ledgers.

17.4.2. Volume 3 and Volume 4 prescribe the general ledger accounts to be used in recording offsetting receipts.

17.4.3. Source documents for the general ledger entries include cash collection vouchers, sales slips, rental receipts, and journal vouchers.

17.5 Use of Accounting Data for Budget Submissions

17.5.1. Budget requirements are established by OMB Circular No. A-11 and Volume 2.

17.5.2. Offsetting receipts deposited in receipt accounts are deducted as offsets to outlays and against budget authority at sub-function and agency levels. For instance, sub-function 051, "Department of War, Military," is the level at which proprietary receipts from the public are deducted from the Department's budget authority and outlays in arriving at total DoW Federal Funds in the budget.

17.5.3. The accuracy and timeliness of recording and reporting offsetting receipts and outlays are critical in the budget preparation process. Actual receipts for the prior year are reported in the budget submissions and are used as the basis for projecting estimates for the budget out-years.

18.0 NON-ECONOMY ACT ORDERS

18.1 General Policy

This section prescribes the financial management policy applicable to orders placed for goods or services from non-DoW Federal agencies under statutory authorities other than the Economy Act authority provided in 31 U.S.C. § 1535. These orders are referred to as non-Economy Act orders. Section 1 of this volume provides overall guidance and discussion of general reimbursement procedures and supporting documentation.

18.2 Legal Authority

18.2.1. Specific statutory authority is required to place a non-Economy Act order with a non-DoW agency for goods or services and to pay the associated cost. If specific statutory authority does not exist, the default is the Economy Act which is discussed in Section 3 of this volume.

18.2.2. The more commonly used non-Economy Act authorities include, but are not limited to:

18.2.2.1. Acquisition Services Fund. The Acquisition Services Fund was established by the General Services Administration (GSA) Modernization Act which merged the General Supply Fund and the Information Technology Fund to carry out functions related to the uses of the Acquisition Services Fund including any functions previously carried out by the Federal Supply Service and the Federal Technology Service managed by the GSA.

18.2.2.2. Franchise Funds. Franchise Funds were first established by the Government Management Reform Act of 1994 to provide common administrative support services on a competitive and fee basis.

18.3 Justification

Non-Economy Act orders may be placed with a non-DoW Federal agency for goods or services if (1) proper funds are available; (2) the order does not conflict with another agency's designated responsibilities (e.g., real property lease agreements with GSA); (3) the requesting agency or unit determines the order is in the best interest of DoW; and (4) the performing agency is able and authorized to provide the ordered goods or services.

18.4 Simplified Acquisition Threshold

Non-Economy Act orders greater than the simplified acquisition threshold must comply with FAR Part 7 and established DoW Components' procedures for the proper use of non-DoW contracts. The "Non-Economy Act Acquisition Package Checklist" will assist in ensuring that statute, policy, and regulation are complied with under non-Economy Act orders.

18.5 Prohibitions

Non-Economy Act orders may not be used to violate provisions of law or accomplish what regulations do not permit under commercial contracts or circumvent conditions and limitations imposed on the use of funds including extending the period of availability of the cited funds.

18.6 Treasury Guidance

18.6.1. The TFM Volume I, Part 2, Chapter 4700, Section 4750, "Intragovernmental Quarterly and Year-End Requirements," discusses the requirements necessary

to properly report intragovernmental transactions resulting from business activities (i.e., buy/sell transactions) between two Federal government entities, called trading partners. It further references the Intragovernmental Transaction Guide (Appendix 5) as containing the business rules and processes to properly record, report, and reconcile intragovernmental transactions, including the processes for dispute resolution.

18.6.2. The standard Interagency Agreement contains two Fiscal Service (FS) Forms: FS Form 7600A, General Terms and Conditions (GT&C) and FS Form 7600B, Order Form. (See the instructions form at Instructions for FS Form 7600A, and Instructions for FS Form 7600B respectively.) Treasury has mandated the use of these two forms to ensure the proper recording and reporting on intragovernmental buy/sell transactions, and to eliminate the Federal-wide reporting deficiencies impacting the Financial Report of the U.S. Government. Accordingly, all DoW Components must use the latest published versions of FS Forms 7600A/B when completing a non-Economy Act order and these must comply with the Federal Intragovernmental Data Standards when using the Treasury's G-Invoicing system, DoW Ordering systems, Enterprise Resource Planning (ERP) systems, or when completing the FS Forms 7600 A/B manually. Until DoW Ordering Systems and ERP systems are capable of processing the FS Form 7600B, DoW trading partners must continue to accept the current order forms (e.g., DoW (DD) Form 448, Military Interdepartmental Purchase Request). Individual orders must be placed against an FS Form 7600A.

18.6.3. The Treasury's G-Invoicing system must be used to negotiate, broker, and electronically store the GT&Cs and associated transactions between buyers and sellers for all inter- and intragovernmental reimbursable transactions as appropriate system capabilities come online for individual DoW Components. In instances where G-Invoicing is not available, such as remote deployments or other austere conditions, DoW Components must use hardcopies of FS Forms 7600A/B. DoW Components must establish internal policies and procedures for designating signature authority for GT&Cs.

18.6.4. The request scope of work on the FS Form 7600A must cover relatively broad categories of goods or services when feasible. When the systems capability becomes available to accept the FS Form 7600B within DoW Ordering Systems or ERPs, the FS Form 7600B must discretely define the goods or services for each order. When practical and legally permissible, the agreement period on the FS Form 7600A must cover multiple years.

18.6.5. For logistical support overseas, in lieu of using the FS 7600A, DoW may submit a reimbursable Memorandum of Understanding MOU under 22 USC 2695 where DoW support is not available for DoW personnel. A G-invoicing reimbursable IAA support agreement is not acceptable and will not be signed in these instances.

18.7 Best Interest Determination

18.7.1. Each requirement must be evaluated in accordance with DoW Components' procedures to ensure that non-Economy Act orders are in the best interest of DoW.

18.7.2. Factors to consider include: (a) satisfying customer requirements; (b) schedule, performance, and delivery requirements; (c) cost effectiveness, considering the discounts and fees; and (d) contract administration, to include oversight.

18.8 Fiscal Policy

18.8.1. For non-Economy Act orders greater than the simplified acquisition threshold, the requesting official must provide: (a) evidence of market research and acquisition planning; (b) a Requirements document that is specific, definite, and certain both as to the work encompassed by the order and the terms of the order itself; and (c) unique terms, conditions, and requirements to comply with applicable DoW-unique statutes, regulations, directives, and other requirements.

18.9 Reconciliation and Elimination of Intragovernmental Transactions

Volume 6 contains DoW policy and guidance for adjustments, eliminations, and other special intragovernmental reconciliation procedures.

19.0 DEFENSE SUPPORT OF CIVIL AUTHORITIES

19.1 General Policy

The DoW has several key missions, including defending the homeland and supporting civil authorities. In certain cases, national defense resources might be provided to assist civil authorities during disasters, emergencies, or other incidents. The Defense Support of Civil Authorities (DSCA) is typically initiated by a request from a Primary Agency (PA) like the Federal Emergency Management Agency (FEMA). According to DoW policy, DSCA begins with a request from civil authorities or authorized entities, or as directed by the President or SecWar. All DSCA support requests, except for Immediate Response Authority (IRA), must be in writing and include an agreement to reimburse DoW as per Title 42, United States Code (U.S.C.), Sections 5121-5208 (42 U.S.C. §§ 5121-5208) (Robert T. Stafford Disaster Relief and Emergency Assistance Act, commonly called the “Stafford Act”), 31 U.S.C. § 1535 (commonly called the “Economy Act”), or other applicable laws. DoW can allocate resources upon approval from SecWar or direction from the President.

19.2 Responsibilities

19.2.1. Key DoW participants in DSCA activities mentioned in this section include, but are not limited to, the SecWar, Under Secretary of War for Policy (USW(P)), Under Secretary of USW(C), Chairman Joint Chiefs of Staff (CJCS), Commanders of Combatant Commands (CCDRs), Joint Staff (JS), and DoW Components and agencies.

19.2.2. The SecWar holds the top authority over the DoW and advises the President on DSCA matters. SecWar approves the use of forces, personnel, units, and equipment; oversees policy and actions for DSCA during domestic incidents; and has sole authority to waive reimbursement for DoW support.

19.2.3. The USW(C)/CFO sets policies and guidelines to ensure timely reimbursement to DoW for DSCA activities.

19.2.4. DoW Components ensure adherence to FM guidance for DSCA operations, including cost tracking and reimbursement; and plan, program, and budget for associated DSCA capabilities as per law, policy, and assigned missions.

19.2.5. The Secretaries of the Military Departments require that reimbursement requests for actual DSCA expenditures (including work performed, contractor payments, or inventory deliveries) start within 30 calendar days after the month when the performance took place. Final billing invoices must be sent to the supported departments and agencies within 90 calendar days following the last billable event.

19.2.6. The Chief, National Guard Bureau (CNGB), under the authority, direction, and control of SecWar and the Secretaries of the Army and Air Force, reports the use of National Guard assets for DSCA when using Federal resources, equipment, and/or funding to the National Joint Operations and Intelligence Center. CNGB will ensure that the National Guard appropriations are appropriately reimbursed for DSCA activities.

19.2.7. The JS allocates resources for DSCA requests and issues execute orders (EXORDs) to the responsible CCDR to carry out SecWar-approved actions.

19.2.8. The Assistant Secretary of War for Homeland Defense and Global Security (ASW(HD&GS)) advises SecWar and USW(P) on DSCA, coordinates policy with federal agencies and DoW Components, and recommends DSCA policy to USW(P). The ASW(HD&GS) ensures all requests for DoW assistance include reimbursement provisions and works with USW(C), JS, and CCDRs to ensure reimbursements are made and reported to SecWar.

19.2.9. CCDRs with DSCA responsibilities must collaborate with subordinate commands to ensure proper reimbursement for DSCA. They provide command and control of DoW personnel and resources coordinating DSCA operations as directed by SecWar.

19.3 Financial Management Augmentation Team (FMAT)

The supported CCDR may form an FMAT to aid in performing FM responsibilities during DSCA operations. The FMAT is composed of experienced FM experts from each Service and major Defense Agency. Under the CCDR's oversight of DSCA activities, aspects of the FMAT can be engaged in real-world events. FMAT members facilitate communication with their respective Services and Agencies and assist in integrating DSCA FM processes into existing financial procedures and policies. Additionally, Military Services and Agencies will designate an FMAT Office in writing and FMAT members take part in training and exercises with the supported Combatant Command.

19.4 Federal Emergency Management Agency

The Secretary of Homeland Security serves as the primary Federal authority for managing domestic incidents. According to 6 U.S.C. § 314, the Administrator of FEMA is tasked with overseeing the Federal assistance programs under the Stafford Act. FEMA requests assistance through Mission Assignments (Form 010-0-8 Mission Assignment Form). These MAs must include necessary details on funding and other management controls, like funding obligation limits, for the requested support. FEMA is responsible for coordinating federal plans and responses to civil emergencies at both national and regional levels and for providing federal assistance to states during such emergencies. Under the Stafford Act, the President may instruct any federal agency to use its legal authorities and resources, with or without reimbursement, to support state and local emergency and disaster response efforts. An RFA is only valid once approved by SecWar. RFAs from FEMA are also known as mission assignments (MAs), though they do not have a directive effect until SecWar's approval.

19.5 DSCA New Requests

The PA uses an RFA or FEMA MA to request goods or services from DoW for DSCA under the Economy Act or Stafford Act. DSCA is typically provided on a cost-reimbursable basis unless directed otherwise by the President or waived by SecWar.

19.6 Immediate Response Authority Support

Support under IRA must be cost reimbursable when appropriate or legally required but must not be delayed or denied due to the requester's inability or unwillingness to commit to reimbursement. Verbal emergency requests must be followed by a written request with an offer to reimburse the DoW as soon as possible. IRA support will end when the need is no longer present or when the approving DoW official or a higher authority directs it (DoDD 3025.18).

19.7 General Accounting Guidance

DSCA is provided on a cost-reimbursable basis. Exceptions include cases where the law mandates or allows non-reimbursable support, pending approval by the appropriate DoW official. Requests for DSCA can be submitted under the Stafford Act or other conditions.

19.7.1. Stafford Act

19.7.1.1. The Stafford Act grants the President the authority to direct the SecWar to use DoW resources to aid state and local governments in addressing emergencies and major disasters. A Governor can seek Federal assistance under this act. Once the request is submitted and meets the certification requirements outlined in the Stafford Act, the President has the discretion to declare an emergency or a major disaster.

19.7.1.2. The Stafford Act establishes a system for emergency preparedness to safeguard life and property in the U.S., distributing disaster assistance responsibilities among federal, state, and local governments. FEMA is primarily responsible for domestic disaster relief

efforts and manages aid under the Stafford Act. Federal departments and agencies, including the DoW, assist FEMA upon request and can receive reimbursement from FEMA for eligible costs incurred during their support.

19.7.2. Non-Stafford Act

19.7.2.1. A Federal entity that has the primary responsibility and legal authority for managing an incident (i.e., the requesting agency) and requires support or assistance beyond its usual operations can seek coordination and facilitation from the Department of Homeland Security through the NRF. Agencies offering disaster aid under their own authorities, without a declaration under the Stafford Act, use their own appropriated mission funds. Upon request, the DoW can assist other Federal departments and agencies by establishing inter-agency reimbursable agreements and requesting reimbursement from the requesting agency for eligible costs. Typically, the requesting agency provides funding to the DoW for the requested assistance in accordance with the Economy Act, unless other statutory authorities are applicable.

19.7.2.2. When an urgent situation arises and there is no time to seek higher approval, Federal military commanders, DoW Components, and responsible DoW civilian officials can exercise IRA to save lives, reduce severe property damage, and prevent human suffering (DoDD 3025.18).

19.8 Applicability

19.8.1. This policy applies to the Office of the SecWar, the Military Departments, the Office of the CJCS and the JS, the Combatant Commands, the Office of the Inspector General of the DoW, the Defense Agencies, the DoW Field Activities, and all other DoW Components.

19.8.2. This policy applies to the Army and Air National Guard when under Federal command. It also applies when the SecWar deems it necessary to use National Guard personnel for DSCA and obtains concurrence from the affected States' Governors.

19.9 Scope

19.9.1. This section outlines DoW financial policy for emergency or disaster relief when SecWar approves support requests to assist other Federal departments or agencies under DoDD 3025.18.

19.9.2. Under the Unified Command Plan, DSCA responsibilities are assigned to the Commander of U.S. Northern Command for the 48 contiguous states, the District of Columbia, Alaska, Puerto Rico, and the U.S. Virgin Islands; while the Commander of U.S. Indo-Pacific Command assumes these responsibilities in Hawaii, U.S. territories or insular areas, and possessions within their area of responsibility.

19.10 Funding

19.10.1. Disaster relief is not a budgeted program for DoW. Congress appropriates the Disaster Relief Fund (DRF) to FEMA for Federal and State disaster relief. The DRF supports the Stafford Act, providing FEMA a no-year base to direct, coordinate, manage, and fund eligible response and recovery efforts for major disasters and emergencies that exceed State resources. DoW Components may need to initially cover DSCA costs with existing funds, expecting reimbursement later. DRF funding is divided into disaster relief cap adjustment and base/non-major disasters.

19.10.2. Funding under the disaster relief cap adjustment is allocated for major disasters declared under the Stafford Act and must be designated by Congress for disaster relief according to section 251(b)(2)(D) of the Balanced Budget Emergency Deficit Control Act (amended by the Budget Control Act). The incremental costs incurred by the DoW beyond its usual mission are reimbursable by FEMA from funds allotted for disaster relief in this category. DoW Components must establish processes to identify and document these incremental costs to ensure reimbursement, as outlined in Volume 4.

19.10.3. Funding in the base/non-major disasters category encompasses Emergencies, Pre-disaster Surge Support, Fire Management Assistance Grants, and activities that are not specific to disasters, such as Disaster Readiness Support (e.g., distribution center operations, reservist training). Pre-declaration requests for DoW support in response to disaster events are reimbursed to DoW based on actual costs. Typically, the requesting agency provides funding for the incident in accordance with the provisions of statutory authorities available for this purpose. This funding is not subject to cost-sharing. When an emergency necessitates a DoW response without a major disaster declaration, this funding category is utilized to reimburse DoW for the actual expenses (i.e., full costs) incurred.

19.10.4. DRF funding cannot be used for activities related to incidents that need a coordinated Federal response before the disaster is declared. If a department or agency requires support beyond its usual operations, it can request PA coordination and facilitation via the National Response Framework (NRF). Federal departments and agencies can assist one another by setting up inter/intra-agency reimbursable agreements.

19.11 Reimbursable Support Agreement

FM units deliver similar capabilities during DSCA operations as in other missions. The primary concerns affecting DoW's response in providing DSCA are authorities and funding. Costs incurred are reimbursable according to the Economy Act and Stafford Act, unless otherwise directed by the President. Typically, cost reimbursement happens under the Economy Act (from the Federal agency requesting support) or the Stafford Act (from Federal funds following a Presidential declaration). Reimbursement should be sought for DSCA support provided under these acts. Per 31 U.S.C. § 9701, IRA support to non-Federal agencies is reimbursed to the U.S. Treasury, while IRA support to Federal agencies is reimbursed to DoW organizations per the Economy Act.

19.12 Advances

Advance payments to the DoW from the DRF are usually not permitted but may be required if DoW Components lack sufficient funds to deliver the requested support to the PA before the fiscal year ends.

19.13 Expenditures Eligible for Reimbursement

44 Code of Federal Regulations, part 206.8, allows for the reimbursement of costs incurred by the DoW when providing requested assistance. Only the SecWar can waive reimbursement under the Economy Act and Stafford Act. Examples of eligible expenditures for reimbursement include:

19.13.1. Overtime, travel, and per diem of permanent Federal agency personnel.

19.13.2. Wages, travel, and per diem of temporary Federal agency personnel assigned solely for the performance of services directed in the major disaster or emergency area.

19.13.3. Travel and per diem of Federal military personnel assigned solely for the performance of services directed in the major disaster or emergency area.

19.13.4. Cost of work, services, and materials procured under contract for the purposes of providing directed assistance.

19.13.5. Cost of materials, equipment, and supplies (including transportation, repair, and maintenance) from regular stocks used in providing directed assistance.

19.13.6. All costs incurred that are paid from trust, revolving, or other funds, and whose reimbursement is required by law; and

19.13.7. Other costs presented by an agency with written justification or mutually agreed upon in writing by the PA.

19.14 Requirements for Reimbursement

19.14.1. DoW Components operating under an approved RFA must submit reimbursement requests following SecWar-approved and Combatant Command's standing DSCA EXORDs. FEMA MAs should also follow FEMA's Mission Assignment Billing Reimbursement Checklist. Requests must reference the specific approved RFA/MA and the relevant disaster or emergency identification number.

19.14.2. Reimbursement requests for expenses from multiple orders cannot be combined. Components seeking reimbursement must keep all financial records, supporting documents, statistical records, and related records concerning the services or resources used by the Department.

19.14.3. A Component official knowledgeable about the original approved RFA must review reimbursement requests to ensure chargebacks outside the original scope are correctly adjusted.

19.14.4. Upon deployment to a supported Combatant Command following an approved RFA, units must report FM details to the Command or its designee until the order is closed. This requirement stands regardless of the unit's redeployment timing.

19.15 Fiscal Closure

Components must carry out RFA closeout procedures, and if excess reimbursable funding is found, notify the PA to deobligate it to the DoW.

20.0 DWCF GENERAL POLICIES

20.1 Treasury Fund Symbol

10 U.S.C. § 2208 establishes the DWCF. The U.S. Treasury Account Symbol for the DWCF is 097X4930. The Defense Counterintelligence and Security Agency WCF, Treasury account 097X4932, is also established pursuant to 10 U.S.C. § 2208 authority. For a table of specific sub-numbered account identifiers, refer to the Volume 11 Supplemental document, Section 20.

20.2 Charters

The DoW Component individual activity groups financed through the DWCF must be chartered under the DWCF to achieve the following objectives:

20.2.1. The DWCF is designed to create a cost-conscious culture by making both customers and providers mindful of and accountable for the costs of services. It provides a flexible financial framework to control costs, empowering managers to use resources efficiently. The fund encourages economical cross-servicing among DoW Components and formalizes relationships through contracts, ensuring cost-based reporting to clarify the financial consequences of decisions.

20.2.2. The specific objectives of the DWCF are to instill financial discipline in ordering agencies, making them build contractual relationships to balance the cost of goods and services against their benefits and critically evaluate price, quality, and delivery speed. The DWCF achieves this by enabling agencies to budget for "end-products," similar to commercial purchasing, and by establishing standard prices to aid in planning. For the DWCF activities themselves, the goals are to foster forward-looking financial management by making them dependent on customer reimbursements, equipping managers with modern tools, and improving cost control through the comparison of estimates to actual costs. This structure encourages producers to align their workforce and inventory with their activities and provides the flexibility to adapt to changes in supply and demand.

20.2.3. A charter must be prepared and submitted to the OUSW(C) Program/Budget (P/B), Director of Revolving Funds and Integration (RFI) for approval. Each DWCF business entity must

review its charter annually to assure it remains current. Changes must be prepared and submitted to the OUSW(C) RFI for approval.

20.3 Financing

20.3.1. The DWCF receives its initial working capital through an appropriation or a transfer of resources from existing appropriations of funds and uses those capital resources to finance the initial cost of products or services.

20.3.2. Financial resources to replenish the initial working capital and to permit continuing operations are generated by the acceptance of customer orders. After initial capitalization, a DWCF activity's operations are funded by the reimbursements it receives from its customers for the goods or services provided.

20.3.3. Customers may not place orders with DWCF activities for the purpose of extending the life of their appropriations or avoiding any statutory limitation or restrictions pertaining to those funds.

20.3.4. Amounts earned by the DWCF are available for financing obligations without fiscal year limitation, although receipt of contract authority, and/or cost authority, as documented in the annual operating budget, determines DWCF activity's obligation authority.

20.3.4.1. The Supply Management activity groups and the Capital Investment Program receive contract authority. Contract authority permits activities to incur obligations in advance of appropriations or in anticipation of receipts from customers, but in accordance with an apportionment, allotment, or other limiting authority.

20.3.4.2. Other than the Supply Management activity groups and the Capital Investment Program, all other DWCF obligations must be supported by budgetary resources that are immediately available for outlay even though the outlay may not occur until a future date.

20.4 Authorized Customers

Authorized customers of the DWCF include any DoW organization, office, or element, and non-DoW federal government agencies. When authorized by law, customers may also include foreign, state, and local governments, private parties, and certain U.S. manufacturers, assemblers, or developers as specified in 10 U.S.C. §§ 2208(h), 2563, and 7543.

20.5 Sources of Budgetary Resources

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 separately report the transactions relating to each type of source (in accordance with OMB Circular No. A-11). Budgetary resources may be received at any level of an organization from the individual activity up to the Departmental level.

20.6 Annual Operating Budgets

Annual operating budgets for the DWCF provide official management cost goals to the Military Services and Defense Agencies for each individual activity group. The annual budget consists of two primary parts, which are the operating budget and the capital budget. The operating budget represents the annual operating costs of an activity or Component, including depreciation and amortization expenses. The capital budget represents the number of financial resources that are authorized for use in the acquisition of capital assets.

20.7 Customer Orders

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 for supply management activities. Budgetary resources are recognized from anticipated 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. To be valid, customer orders must be obligations of a federal government activity and cash advances from nonfederal customers. Cash advances may also be requested from federal government activities when directed and approved in advance by the OUSW(C). When accepted, customer orders create a quasi-binding contractual relationship between a DWCF activity and its customer since acceptance of a customer order requires that the performing entity agree in writing to perform the work for the customer entity. Except as authorized in Section 24, a DWCF business entity must not initiate work or services or incur obligations in excess of anticipated orders received unless specific authorization is provided by a signed annual operating budget approved by the OUSW(C) P/B RFI, to ensure other budgetary resources are available at the DWCF sub-account level. Customers may request a deobligation of their funds for goods or services ordered that were not provided. Return of customer funds is permissible only if the DWCF activity has not commenced work on the good or service ordered or incurred an obligation for those goods or services.

20.8 Stabilized Rates and Prices

The DWCF individual activity groups operate on a break-even basis in accordance with budgetary guidance contained in Volume 2. DWCF activities must establish rates during the budget process at levels estimated to recover the budgeted costs of goods or services to be provided including all general and administrative overhead costs, prior period gains and losses, and applicable surcharges. The budget process ensures that adequate resources are requested in the customers' fund accounts to pay the established rates and prices. Volume 2, Section 10 contains specific budget formulation requirements.

20.9 Restrictions on Use of Customer Appropriations

20.9.1. 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.

20.9.2. 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 to cite.

20.10 Financial Reporting

31 U.S.C. § 3515 and 10 U.S.C. § 2208(n) require the Department to have audited financial statements covering all accounts and associated activities of the Department. The DoW will include DWCF financial information in its Annual Financial Report. Specific financial statement reporting requirements are contained in OMB Circular No. A-136, "Financial Reporting Requirements." Volume 6 also identifies recurring reporting requirements applicable to the DWC.

20.11 Mobilization Capability

20.11.1 Each DWCF activity group must plan for and maintain the capability to expand or alter operations, or to provide extraordinary supply or other functional area support necessary, to satisfy mobilization conditions or an operational contingency as documented in Defense Planning Guidance or operational plans.

20.11.2. Financing the cost of a mobilization capability during peacetime requires a separate appropriation. These are not normal operating costs that are passed on to DWCF customers through rates. Direct appropriations will reimburse all costs related to maintaining a capacity. Volume 2 provides specific policy for the types of mobilization costs that can be funded by a direct appropriation. For detailed procedural guidance on funding, refer to the Volume 11 Supplemental, Section 20.

20.11.3. The SFFAS 4, "Managerial Cost Accounting Standards and Concepts," requires reliable and timely information on the full cost of federal programs, their activities, and outputs, which includes the total costs of supporting DWCF mobilization/surge activities.

20.11.4. DWCF Activity Management Agency or Command will budget and provide appropriated funds for the costs of maintaining unutilized plant and facilities being held for mobilization purposes at DWCF activities. Mobilization maintenance costs for unutilized plant and facilities include costs of labor, materials, contractual services, and overhead that were incurred for that purpose. Retention of facilities in excess of those necessary for current or planned workload must be in accordance with DoD Directive (DoDD) 4275.5, "Acquisition and Management of Industrial Resources." The acquisition, retention, or disposal of unutilized plants and facilities at transportation activities must be approved by the OUSW(A&S).

20.12 DWCF Systems and Control

DWCF accounting systems must have the capability to account for the status of budgetary resources on a continuous basis. Budgetary controls must be designed to prevent incurring obligations more than budgetary resources. System owners must ensure compliance with each new SFIS matrix that is updated based on guidance released from Treasury.

20.12.1. Financial Management System. Transactions are executed in accordance with budgetary and financial standards issued by OMB and Treasury and are reported in accordance with the FASAB and SFFAS. DWCF accounting systems must be SFIS compliant and have the capability to account for the status of budgetary resources on a continuous basis and controls must be designed to prevent obligations more than budgetary resources. With an effective DWCF financial management system:

20.12.1.1. Transactions are executed in accordance with all budgetary and financial standards and legal authorities.

20.12.1.2. Assets are properly safeguarded to deter fraud, waste, and abuse.

20.12.1.3. Performance measurement information is adequately supported.

20.12.2. Budgetary Resources. When an activity receives budgetary resources from more than one source (e.g., spending authority from offsetting collections, direct appropriation, and contract authority), the receiving activity must maintain records that will enable it to control and separately report the transactions relating to each type of source, in accordance with OMB Circular No. A-11.

20.12.3. Legacy Systems. Component Responsibility: DoW Components must bear all legacy system costs until they have fully transitioned to the replacement (emerging/migratory) system. If a Component operates both systems in parallel for testing or to retain access to prior-year data, it remains financially responsible for both systems. When transition delays are caused by Component-related implementation issues, the Component must continue to bear the legacy system costs, even if it is the sole remaining user on that legacy system.

20.12.3.1. DFAS Liabilities: If the delay in fully transitioning is directly caused by a DFAS implementation problem, the Component will not bear the direct legacy system costs. DFAS will incorporate any unabated legacy system costs into customer rates as overhead.

20.12.3.2. Residual Undepreciated Value. Upon the transition of all users and subsequent decommission of the system, any residual undepreciated value will be charged to the DFAS Accumulated Operating Result (AOR) in accordance with Volume 11 Supplemental.

20.12.3.3. Timeline and Constraints: Components must complete their transition to the migratory system prior to the beginning of a new fiscal year. To maintain budget integrity, legacy cost allocations among Components must not be adjusted during the year of execution.

20.13 Funds Management

Financial resources establishing a DWCF must be appropriated. Continuing operations are financed by reimbursements received. Anticipated reimbursements and anticipated customers' orders are not considered a budgetary resource. Obligations incurred (Undelivered Orders, Obligations, unpaid or Prepaid/Advanced and Delivered Orders, and Obligations, paid or unpaid) are claims against budgetary resources. A sufficient fund balance with the Treasury must support all DWCF cash outlays. Refer to Volume 3 for further guidance on funds management.

20.14 General Ledger Accounts

All DWCF activities must adhere to the United States Standard General Ledger (USSGL) published by the Treasury Bureau of the Fiscal Service. The USSGL Standard Financial Information Structure Transaction Library provides a decomposition of USSGL accounting transactions for DoW.

20.15 Auditing

Pursuant to 31 U.S.C. § 3515, the DoW activities, of which a DWCF is considered a component, are required to prepare audited financial statements. While preparing for and undergoing audit, DWCF activities must be able to provide documentation sufficient quality to allow an independent third party, such as an external auditor, to understand and verify the basis, value, and rationale for recorded amounts. The DWCF is subject to audit by the DoW Inspector General, the Government Accountability Office, and other parties when contracted or otherwise authorized.

20.16 Roles and Responsibilities

20.16.1. The OUSW(C) will:

20.16.1.1. Establish DoW policy on all DWCF operations and provide financial management oversight.

20.16.1.2. Authorize, approve, or rescind DWCF Charters.

20.16.1.3. Establish budget preparation, accounting, and reporting policies.

20.16.1.4. Review and approve operating and capital budgets and monitor budget execution.

20.16.1.5. Monitor compliance with all governing guidance.

20.16.1.6. Advise DWCF managers on accounting and reporting policies.

20.16.1.7. Exercise funds control responsibilities in accordance with congressional direction and OMB guidance.

20.16.2. The Director, Defense Finance and Accounting Service (DFAS), will:

20.16.2.1. Advise and assist the USW(C) in the development of financial systems and procedures.

20.16.2.2. Advise DWCF activities on accounting and reporting procedures and issue supplementary instructions as needed.

20.16.2.3. Review DWCF accounting systems for compliance with established requirements.

20.16.2.4. Prepare external and internal accounting reports for the DWCF.

20.16.3. The Military Department Secretaries and Defense Agency Directors will:

20.16.3.1. Manage their respective DWCF activities within approved funding limitations.

20.16.3.2. Designate a management agency or command to be responsible for the effective management of each DWCF activity.

20.16.3.3. Comply with, and recommend changes to, this and other governing regulations, and provide periodic financial and management information as required by the USW(C).

20.16.3.4. Submit proposed Charters for new DWCF activities, initiate change, as needed, or the rescission of existing charters to the USW(C).

20.16.4. The designated DWCF Activity Management command and individual activity managers will:

20.16.4.1. Assign responsibility and authority for the management and operation of DWCF activities.

20.16.4.2. Ensure all activities operate within approved funding limitations and determine compliance with established requirements.

20.16.4.3. Incur obligations and control costs in line with the approved annual budget to perform the activity mission.

20.16.4.4. Establish, monitor, and assess internal controls and resolve internal control weaknesses.

20.16.4.5. Identify to higher management any impediments in achieving performance goals and justify investments for future improvements.

20.16.5. DWCF Activity Customers will:

20.16.5.1. Budget for the cost of material, work, and services ordered from a DWCF activity.

20.16.5.2. Manage the budgetary resources provided for such orders.

20.16.5.3. As early as possible, notify the DWCF Activity Management to terminate a previously ordered service and incur liability for all costs incurred until termination.

21.0 DWCF ACTIVITY ESTABLISHMENT, TRANSFERS, AND CLOSURE

This section establishes the high-level policy for the establishment, transfer of functions, and closure of DWCF activities.

21.1 Establishment of DWCF Activities

21.1.1. Charter Requirement. Prior to financing, a proposed DWCF activity must be formally established through the submission and approval of a charter. For detailed guidance on charter format, required contents, support documentation, and the process for amendments or annual reviews, refer to the Volume 11 Supplemental, Section 21. The DoW Components must review DWCF operations each fiscal year to ensure that the charters are current. Any required changes must be submitted to the OUSW(C) P/B RFI.

21.1.2. Criteria for a DWCF Activity. For USW(C) to consider a Service or DoW agency organization, program, or function for inclusion in the DWCF it must meet all the following criteria:

21.1.2.1. Materials produced or services provided are shared or required by a group of customers or are common requirements of more than one major command, and/or DoW Component.

21.1.2.2. A cost accounting system is available that is capable of collecting costs of producing outputs. The activity must have the capability to charge prices or rates that are capable of recovering the full funded costs of the goods and services provided. For additional information on general cost concepts refer to Volume 4.

21.1.2.3. Activities that require and order products or services (i.e., customers) can be identified so that resources can be aligned in the account of the customer with the requirement. The demand for the goods or services to be provided by the program or organization must come from multiple customers within DoW and/or other federal government entities.

21.1.2.4. Identification of a buyer-seller relationship to the extent that the buyer can influence cost, workload, and the buyer has alternative sources that can provide the products or services. Operation of the program or organization as a DWCF business area should result in a

better identification of the full cost of operations and may also result in better quality goods/services and/or result in decreased costs to the federal government.

21.1.3. Procedural Guidance. For detailed guidance on charter format, required contents, support documentation, and the process for amendments or annual reviews, and commencing DWCF operations, refer to the Volume 11 Supplemental, Section 21.

21.2 Transfer of Functions

21.2.1. Core Principle. The transfer of all or a portion of the functions from one DWCF activity to another, or to an appropriation-funded activity, must be executed through a formal, negotiated agreement. Automatic transfers of budgetary or proprietary account balances are prohibited.

21.2.2. Requirements. The negotiated agreement must, at a minimum, identify the specific functions and resources to be transferred and establish the effective date. All accounts must be validated prior to transfer. For detailed procedures governing negotiations, account transfers, personnel actions, and system changes, refer to the Volume 11 Supplemental, Section 21.

21.3 Closure of a DWCF Activity

21.3.1. Funding. DWCF operating funds are not available for closure costs resulting from actions directed by higher authority, such as the Base Realignment and Closure (BRAC) Commission. Such costs must be financed through other authorized appropriations.

21.3.2. Residual Assets and Liabilities Upon closure, any remaining financial assets and liabilities must remain within the DWCF. All residual account balances must be reviewed, validated, and reduced to zero within one year from the date an activity ceases operations. For detailed procedures on handling closure costs and residual accounts, refer to the Volume 11 Supplemental, Section 21.

22.0 DWCF BUDGETARY RESOURCES

22.1 Sources of, Restrictions on, and Claims Against Budgetary Resources

Budgetary resources for the DWCF consist of collections from customers, which are credited to the fund's Treasury account. These resources are subject to apportionment and reapportionment by the OMB. Claims against these resources include undelivered orders, accounts payable, and accrued expenses. All obligations must be supported by available budgetary resources.

22.1.1. Apportionment and Administrative Limitations

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

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

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

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

22.1.1.3.2. Spending Authority from Offsetting Collections (Reimbursable Obligations). Reimbursable obligations are obligations financed by offsetting collections credited to an expenditure account in payment for goods and services provided by that account. The collection must be authorized by law to credit the specific appropriation or fund account. Anticipated reimbursements may not be used as a source of obligational authority until a customer order is accepted unless such use specifically is authorized in statute. Volume 3, Section 17 describes reimbursable obligations in detail.

22.1.1.3.3. Contract Authority

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

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

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

22.1.2. Claims Against Budgetary Resources

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

22.1.2.1. In the event that budgetary resources available to a DWCF Component, activity group, or activity are not sufficient, a DWCF manager should not assume that sufficient budgetary resources exist elsewhere within the DWCF to fund obligations in excess of resources available. Rather, the manager of the DWCF Component, activity group, or activity, as applicable, must request, in writing, an increase in authority to incur obligations from its management command or responsible DWCF Component and must defer the incurring of additional obligations until budgetary resources are sufficient to fund them. The DWCF Component must document the authority to incur additional obligations in an Annual Operating Budget signed by the OUSW(C) P/B RFI.

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

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

22.1.2.4. A DWCF Component should have two primary types of financial accounts, proprietary and budgetary. The balance of budgetary resources available for obligation can be determined only from budgetary accounts. Proprietary accounts, by themselves, are not sufficient to determine budgetary resources.

22.1.3. Restrictions on Budgetary Resources

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

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

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

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

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

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

22.2 Supplemental Appropriation and Reappropriation

In instances where the DWCF requires additional capital beyond what is generated through customer reimbursements such as for major capital investments or to cover extensive losses, a supplemental appropriation may be requested from Congress. Similarly, unobligated balances from prior fiscal years may be reappropriated for new purposes, subject to congressional approval.

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

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

22.3 Customer Orders

22.3.1. Anticipation of Customer Order

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

22.3.1.2 There must be a specific law that authorizes reimbursable work with non-Federal entities. A DWCF Component cannot cite the Economy Act as the statutory authority to perform work for non-Federal customer orders with or without an advance. A law must

specifically allow a DWCF activity to incur obligations against customer orders received from non-Federal sources with an advance.

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

22.3.2 Receipt of Customer Orders

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

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

22.3.3. Recognition of Reimbursement Earned (Revenue)

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

22.3.4. Treatment of Unearned Revenue

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

22.4 Non-Expenditure Fund Transfers

22.4.1. Policy. Non-expenditure transfers may occur between the DWCF and other DoW accounts to adjust capital levels or transfer assets. These transfers do not represent an expenditure for the transferring account or a collection for the receiving account but rather a realignment of resources. All such transfers must be properly documented and approved by the OUSW(C).

22.4.2. Restrictions for Non-expenditure Transfers. Statutory restrictions on the purpose, availability, and use of appropriated funds require that no change be made to those restrictions through the use of a non-expenditure transfer into the DWCF unless such change is specifically authorized by law.

22.4.3. Procedural Guidance. For detailed procedures on executing non-expenditure transfers, refer to the Volume 11 Supplemental, Section 22.

23.0 DWCF COSTS AND COST ACCOUNTING

23.1 Working Capital Fund Costs

Working Capital Funds are designed to create a cost-conscious environment by making customers aware of the full cost of goods and services. Costs included in the stabilized rates and prices charged to customers must encompass all direct and indirect costs associated with the output. This includes direct labor, direct materials, and all overhead expenses. The goal is to operate on a break-even basis over the long term, where the rates charged recover the full cost of operations without generating a profit or a loss.

23.2 Cost Accounting Requirements for Depot Maintenance

23.2.1. Overarching Policy. DWCF depot maintenance activities that utilize a job order costing methodology must use formal cost accounting practices in compliance with the provisions of SFFAS 4. Activities must uniformly record, accumulate, and report job order costs to assist management and ensure compliance for all material types.

23.2.2. Managerial Cost Accounting. In accordance with SFFAS 4, DoD depot maintenance activities must:

23.2.2.1. Accumulate and report the costs of activities on a regular basis for management information purposes.

23.2.2.2. Establish responsibility segments, measure and report the costs of each segment's outputs, and calculate the unit cost of each output.

23.2.2.3. Determine and report the full costs of government goods and services, including direct and indirect production costs and G&A overhead costs.

23.2.2.4. Recognize the full costs of goods and services provided by other federal entities.

23.2.2.5. Use and consistently follow costing methodologies most appropriate to the segment's operating environment to accumulate and assign costs to outputs.

23.2.3. Procedural Guidance. For detailed procedures regarding the establishment of cost accounting modules, job orders, cost centers, and the specific handling of labor, material, and indirect costs, refer to the Volume 11 Supplemental, Section 23.

24.0 DWCF REIMBURSEMENTS AND REVENUE RECOGNITION

24.1 Reimbursement Principles

After initial capitalization, DWCF activities are financed primarily through reimbursements received from customers for goods and services provided. For non-federal customers, a cash advance is required before work begins. For detailed procedures on cash advances and the nature of reimbursements, refer to the Volume 11 Supplemental, Section 24.

24.2 Performance Under Project Orders and Economy Act Orders

DWCF activities may perform work for other federal agencies under the authority of Project Orders or Economy Act Orders. The DWCF activity must be reimbursed for the full costs incurred in the performance of such work. For detailed procedures regarding the de-obligation of excess funds upon completion of an order, refer to the Volume 11 Supplemental, Section 24.

24.3 Revenue Recognition

Recognize revenue when it is earned, not necessarily upon receipt of payment. Revenue is considered earned when goods are delivered or services are performed. SFFAS 7, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting," provides further guidance. For detailed procedures on the timing of revenue recognition and the treatment of unearned revenue, refer to Volume 11 Supplemental.

25.0 DWCF SUPPLY MANAGEMENT ACTIVITIES

25.1 Pricing of Inventory Items

25.1.1. The budgeting policy requirements for the budget development of prices for Supply Management Activities (SMA) items are in Volume 2, Section 10.

25.1.2. Standard Price

25.1.2.1. Charge DoW customers the standard price for DoW Inventory Control Point (ICP)-managed items (excluding subsistence), or Integrated Materiel Management (IMM) items. The Federal Logistics Information System (FLIS), accessible through WebFLIS, is the authoritative source of standard prices. Prices are computed based on factors, including replenishment cost of the item; surcharges for transportation, inventory loss, obsolescence, and maintenance; Capital Investment Recovery; and supply operations. Each cataloged inventory item with an assigned national stock number and, under DoW ICP management, must have a selling price for all authorized customers. See DoD Manual (DoDM) 4140.68 "Integrated Materiel Management of Nonconsumable Items," for non-consumable items standard pricing details.

25.1.2.2. Charge the standard price to non-DoW customers directly supporting DoW-related mission requirements. The selling price to other non-DoW customers is prescribed in Volume 2, Section 10.

25.1.2.3. DWCF activities must institute selling prices at the lowest practical item level to promote cost visibility/management and motivate cost effective customer/supplier behavior.

25.1.2.4. The SMA must determine the item standard price annually in advance of the execution year. The standard sales price is effective for billing purposes on the first day of the fiscal year. A standard price cannot change in the fiscal year without prior approval from the OUSW(C) P/B RFI. The dollar amount of unfilled customer orders accepted at the previous fiscal year's standard price must be adjusted (upon notification to and confirmation from the customer) to reflect the latest standard price when notice of the price change is received.

25.1.2.5. Catalog and assign all local procurements a standard price including any retail level cost recovery element. In accordance with the DoDM 4140.01, Volume 2, "DoD Supply Chain Materiel Management Procedures: Demand and Supply Planning," inventory retail level is the level below the wholesale, either at the consumer level for providing material to ultimate users or at the intermediate or region level. See DoDM 4140.01, Volume 2 for additional demand and supply planning guidance.

25.1.2.6. The DWCF establishes selling prices in the budget that are normally fixed during execution to mitigate the impact of unforeseen fluctuations on customers' ability to execute programs. See Volume 2, Section 10 for full recovery of costs and setting of prices.

25.1.2.7. The standard price must also contain the total materiel costs, see Volume 2, Section 10. Total materiel costs include:

25.1.2.7.1. Materiel costs (without inflation) for losses and gains from incoming and outgoing shipments, physical inventory adjustments, inventory losses as a result of shrinkage, theft, deterioration, damage contamination, defective items if not reimbursed by supplier, obsolescence, and adjustments to reconcile internal records.

25.1.2.7.2. Materiel Inflation (normal inflation) is the dollar amount of the inflation rate set by OMB. Materiel Cost Adjustments as outlined in Volume 2, Section 10 accounts for any anticipated price growth beyond normal inflation.

25.1.2.7.3. Loss/damage/washout/obsolescence are costs where a replacement unit is required. Activities that manage on an exchange carcass basis incur replacement cost for carcass losses and washouts. Lost carcasses, e.g., in transit to customer or supply system, must be investigated and necessary internal controls strengthened as required by Volume 12, Section 7. Carcass washouts are carcasses initially determined to be repairable but subsequently determined to be unrepairable and require replacement. If determined unrepairable due to customer-caused cannibalization or other malicious damage, charge the customer the difference between the exchange price and the current standard price, and this cost must not be

included in the surcharge element. Maintenance activities must maintain all documents, see Volume 1, Section 9.

25.1.2.8. In a system supporting exchange pricing, the price charged to customers returning a Depot Level Reparable part for repair and purchasing a serviceable (new or repaired) part, equates to the latest repair price plus wash out costs per item plus pricing elements necessary to recover other operating costs. If no carcass is returned, the customer must be charged the full standard price. See Volume 2, Section 10, for specifics on exchange pricing. Also, see Volume 4, Section 6, for information on supply turn-in.

25.1.2.9. Supply Management (SM) operations also incur non-materiel overhead and pricing adjustment costs, including adjustments for prior year operating results, approved surcharges, and other factors. The Cost Recovery Rate reflects the markup on total materiel costs required to recover operating costs, calculated by dividing total non-materiel costs by total materiel costs. This represents the percentage markup on materiel costs required to operate the supply activity. These cost elements are displayed on the SM-5a “Markup on Materiel Cost” exhibit in Volume 2, Section 10.

25.1.2.9.1. The provisioning cost element is provided when a weapon system was originally fielded under a contractor logistics support agreement. The component may fund the provisioning action in the standard item price if the contractor fails to perform or a component decision is made to transfer program management to a DWCF supply activity. The component may fund this action using contract authority without an immediate reimbursement if a funding source can be identified and used for reimbursement by the time of first delivery and the OUSW(C) P/B RFI, has preapproved the action. Preapproved reimbursable transactions of this type must be recorded as “other income” and not included in the standard price.

25.1.2.9.2. Inventory Augmentation. An anticipated inventory requirement that drives growth in inventory beyond replenishment, excluding appropriately resourced increases for mobilization. When required, the supply activity develops a financing strategy for the Program and Budget Review, or the Budget Execution Review if, in the year of execution, the activity must execute above its planned Unit Cost Ratio (UCR). When an activity internally augments inventory, regardless of the UCR, the activity provides a prioritization strategy in accordance with DoDM 4140.01, Volume 2. The Joint Logistics Resource Requirement Board co-chairs must approve the financing strategy. Recoup costs by direct appropriation or a cost recovery element in the pricing structure. See Volume 2, Section 10.

25.1.2.9.3. Unusual or nonrecurring losses, such as those due to armed hostilities, riot, or significant damage due to fire, flood, earthquake, storms, or other abnormal events, are not normal inventory losses and must not be included in the cost recovery element for inventory expenses. DWCF Activities must obtain approval from the OUSW(C) P/B RFI, to fund such losses.

25.1.2.10. The standard item sales price must include recovery of operating costs including payroll, personnel travel, transportation, defense agency billings, other DWCF

purchases, operating materials and supplies, rent/communications/utilities, depreciation, transportation, and other service contracts.

25.1.2.11. Other cost recovery elements, as approved by the OUSW(C) P/B RFI, during the budget review, may be added to the price and include Accumulated Operating Results adjustments, cash surcharges, and fund management adjustments.

25.1.2.12. The purpose of the cost recovery elements is to balance total revenues with total net operating costs. Total net operating costs must not include requirements funded by appropriations, such as war reserve materiel or national defense stockpiles (see Volume 4, Section 6). The costs within the recovery elements must account for the following as applicable:

25.1.2.12.1. The SMA finances the costs of wholesale ICPs and wholesale supply depot operations. Such costs include civilian labor and benefits, military labor, supplies, purchased services, and reimbursements to other defense agencies providing support. The cost of performing equivalent functions at the retail level (installation/area supply support) may be included in the cost assessed by the wholesale activities if the retail activity is managing the distribution of Defense Logistics Agency, General Services Administration, or any other government agency where an additional rate would not be applicable.

25.1.2.12.2. The SMA finances the costs of separate activities that exist primarily to benefit the wholesale ICP and/or a wholesale supply depot mission. Establish mission support overhead cost pools that identify civilian labor and benefits, supplies, purchased services, and other costs incurred in functions such as line management command and control, staff management and policy, centralized procurement, accounting, personnel, and automated data processing. The portion of overhead costs directly benefiting the SMA mission is allocated to, and reimbursed by, the SMA. The allocation must be prorated on the relationship of the cost of the benefits provided to the SMA, and to the cost for all activities or functions.

25.1.2.12.3. Shipping and transportation costs, including costs for packing, crating, handling, transportation, and, where appropriate, port loading, and unloading. Items may be shipped from a stocking point (issues) or to a stocking point (returns).

25.1.2.12.3.1. Transportation costs include SMA-issued items. To the extent that first destination transportation is not included in the acquisition cost, an estimate of the cost must be included. Second destination transportation (SDT) costs should assume average cost as adjusted by budget year projected changes. SMA generally finances SDT costs for transportation within the Continental United States (CONUS) and between overseas locations. Assess additional charges for expedited delivery.

25.1.2.12.3.2. The SMA must reimburse transportation and other shipping costs only for items approved by an item manager for return to the SMA from DoW customers.

25.1.2.12.3.3. Costs of shipping and transportation for customer return of reparable exchange carcasses. Accordingly, customers are not charged separately for the returns.

25.1.2.12.3.4. Shipping and transportation costs of item manager-directed Lateral Redistribution Orders (LRO) of stock. The ICP or IMM must reimburse the supplying/holding activity for packing, crating, handling, and transportation for ICP/IMM-directed materiel moves.

25.1.2.12.4. The costs of providing and managing commissary items, including related operating costs, must be identified as commissary operating costs. These costs include headquarters or regional-level costs. Commissary operating costs are reimbursed by appropriations for commissaries and the commissary trust revolving fund. See DoD Instruction 1330.17 for additional information.

25.1.2.12.5. If a SMA experiences a sudden decrease in volume of customer orders, it may require additional revenue to liquidate contract authority. Resources may be obtained through either transfer or direct appropriation, or by SMA establishment of a cost recovery element (or combination of both). The SMA will eliminate any cash surcharge once undelivered order stock levels have stabilized for the new volume of demand.

25.1.2.13. A cost recovery element used by a retail-level supply activity:

25.1.2.13.1. Will include inventory (materiel) expenses for retail-managed items which are the net of gains and losses, obsolescence, and shelf-life deterioration.

25.1.2.13.2. May include other cost recovery elements, when approved by the OUSW(C) P/B RFI.

25.1.3. Foreign Military and Private Party Sales. Per Volume 15, the DWCF must sell items to Foreign Military Sales customers at the current price. The current price is also applicable to private parties (state and local governments, and non-governmental entities not under a DoW contract) authorized SM support.

25.1.4. Lateral Redistribution of Stock. When another activity has stock to fill an order, a SMA may direct an LRO to that activity to issue stock directly to the customer. As provided in DoDM 4140.01, Volume 5, "DoD Supply Chain Materiel Management Procedures: Delivery of Materiel," LRO billing procedures ensure a supply holding activity is reimbursed for both the standard price of the materiel and standard packing, crating, handling, and transportation costs. The item manager will bill the customer for the standard price of the materiel and pay the supply holding activity via the ICP/IMM for the standard price of the materiel and the standard packing, crating, handling, and transportation costs. DoW Components facilitating LROs must record outlays of Fund Balance with Treasury (FBwT) as a disbursement. Recording a negative collection is prohibited. Since these are intra-agency transactions, trading partners must use the correct detailed transaction-level codes. See the Deputy Chief Financial Officer financial policy memorandum (FPM), "Accounting Treatment of Lateral Redistribution Activities (FPM 20-05)."

25.1.5. Authorized Changes of Standard/Exchange Prices. Prices cannot be changed during a fiscal year without justification to, and prior written approval of the OUSW(C) P/B RFI. The item manager will group all approved price changes and release for updates to the SMA's pricing catalog not to exceed once a month. The only exceptions to the price changes requirement

for prior approval are: Unit of issue changes; First time buys; and Contract modifications or new contracts for the same requirement.

25.1.6. Discount Pricing. Product prices must reflect the full cost of the product and the related management activity unless the following conditions are met, and approved by OUSW(C) P/B RFI:

25.1.6.1. Requests to discount item prices must include an impact analysis of the anticipated cost (profit/loss) and Component approval.

25.1.6.2. Reductions from standard prices may be made for an actual difference in item utility or desirability due to age, condition, or model for items being phased out of the system; and items no longer procured, with limited remaining shelf-life, in less-than “fully serviceable” condition, or in long supply, i.e., assets stratified as “potential reutilization stock.”

25.1.6.3. See Volume 4, Section 6, for SMA development of exchange transaction prices.

25.1.7. Pricing for Additional/Premium Service. Components may establish and offer variable levels of service related to a product, at variable prices, to allow customers to economize according to needs. Appropriate fees may be established annually and may vary according to the item/class of items. Refunds (credits) are available when a customer paid but was not provided a level of service. Customers are authorized to pay for enhanced service; this policy does not authorize reduced charges. Individual orders may be assessed an additional cost based on the following elements:

25.1.7.1. Expedited delivery.

25.1.7.2. Delivery outside the CONUS based on destination.

25.1.7.3. Depot handling fees related to order issues only. The fee(s) includes a minimum charge for low priced orders, a standard charge for bin item issues, a standard charge for normal bulk item issues, and special charges for unusual bulk item issues, e.g., special handling and extraordinary quantities.

25.1.7.4. Other additional/premium charges as approved by OUSW(C) P/B RFI.

25.1.8. Capital Investment Recovery Reflects the estimated recoupment of all assets defined by the capital program in terms of recoupment of outlays. See Volume 2, Section 10 for details on recovering these infrastructure related costs.

25.2 Contract Authority for Supply Management Operations

25.2.1. Background

25.2.1.1. Based on 10 U.S.C. § 2210, obligations may be incurred against anticipated reimbursements, without regard to fiscal year limitations. OMB Circular No. A-11

defines Contract Authority as a type of budget authority permitting obligations in advance of appropriations, offsetting collections, or receipts to make outlays to liquidate the obligations.

25.2.1.2. Contract Authority is apportioned and allocated without a supporting Treasury cash balance. Consequently, contract authority must be replaced or liquidated by other budgetary resources. Contract Authority is apportioned to the DWCF Capital Programs and the SM Operating Programs for the current fiscal year of the apportionment only, and for no other fiscal year.

25.2.2. Budgetary Resources

25.2.2.1. SM budgetary resources available during the current fiscal year consist of congressionally appropriated and re-appropriated amounts made available; the net of any non-expenditure transfers and internal distributions of budgetary authority into and out of the SMA and other Federal Government accounts (cash transfers); and apportioned contract authority.

25.2.2.2. Liabilities (accounts payable) are typically payable from the FBwT within the terms of the Prompt Payment Act, 31 U.S.C. Chapter 39, as implemented under Title 5, Code of Federal Regulations, Part 1315. Unfunded (unliquidated) contract authority is a SMA long-term liability because budgetary resources required have not yet materialized through customer orders or Congressional appropriations.

25.2.2.3. Unobligated appropriation balances are not available for use in the subsequent year unless reapportioned as a new apportionment in the new fiscal year.

25.2.2.4. The OMB may approve and apportion contract authority in the amount of the approved SMA-operating program, which may include the amount of the requested variability target or a portion thereof.

25.2.2.5. The OMB apportions contract authority on the SF 132, "Apportionment and Reapportionment Schedule." The Office of the Deputy Comptroller P/B allots contract authority on the Annual Operating Budgets.

25.2.2.6. Apportioned contract authority is either obligated or returned. Obligated contract authority is substituted with the receipt of customer orders and then liquidated with revenue collection from order fulfillment. With Congressional approval, appropriations can be used to liquidate contract authority rather than spending authority from offsetting collections.

25.2.2.7. Customer orders received are requisitions and other orders accepted for furnishing items on a reimbursable basis. Order-generated budgetary resources are available to fund obligations provided that, in the case of orders from the public, an advance has been collected. Contract authority must not be used to fulfill orders from the public unless an advance is collected and reflected in the SMA's FBwT, except when explicitly authorized by law.

25.3 Contract Authority and Cash Management

25.3.1 Components' activity groups are responsible for cash management (see Volume 2, Section 10). The liquidation of contract authority is only authorized by collections from customer orders or by an appropriation. SM cash collections are the primary funding source for liquidation unless otherwise approved in writing by OUSW(C) P/B RFI.

25.3.2. SM activities may also submit requests as part of the component's budget request, for appropriations to liquidate contract authority, if a change in customer demands warrants this action. Similarly, OUSW(C) P/B RFI, must pre-approve in writing any proposed budget negative surcharges, other than Accumulated Operating Results recovery.

25.4 Multiple-Year Contracts

25.4.1. Overview

25.4.1.1. SM activities are authorized to use multiple-year contracts to procure items from a single contractor and more than one annual program increment of items to obtain an Economic Order Quantity (EOQ).

25.4.1.2. The SMA determines if items with stable demand are sole sourced and/or acquired by a multiple-year contract.

25.4.1.3. SM activities fund advance EOQ procurement for manufacturing components, parts, and raw material in quantities exceeding the current annual requirement when it is cost effective to do so. Advance procurements may be funded fully in single-year increments on a termination liability basis or included in a multiple-year contract with the nonrecurring contract costs.

25.4.1.4. Pursuant to 10 U.S.C. § 3501, the DoW is authorized to enter into multiple-year contracts containing cancellation clauses that may include both nonrecurring and recurring costs. This law specifies congressional reporting requirements based on cancellation ceilings. Furthermore, annual DoW appropriations acts may limit the use of multiple-year contracts. The OUSW(C) P/B RFI, must approve, prior to contract award, a single contract in excess of \$100 million or \$10 million in estimated termination liability. Each separate contract option must be treated as a single contract event, with the dollar amounts determining whether OUSW(C) P/B RFI approval is required.

25.4.2. Obligations. The SMA must obligate the minimum amount required for the period of the contract.

25.4.2.1. If the contract provides for annual terms with options to extend the terms in subsequent years, the Government must obligate the amount required to be procured in the first year. The obligation for each option year must be recorded when the option is exercised.

25.4.2.2. If the contract provides for minimum quantities over a period of more than one year, the obligation must be recorded for the sum of the minimum quantities times the

agreed price. If the contract provides for minimum dollar amounts for a period of more than one year, the obligation must be recorded for the sum of the minimum dollar amounts.

25.4.2.3. The bona fide needs rule, derived from 31 U.S.C. § 1502(a), applies to appropriations limited to a definite period of time. Although the rule does not statutorily restrict a SMA from incurring obligations against contract authority for subsequent fiscal year requirements, contract authority may impose limitations on execution of obligations. Also, SM activities use contract authority to incur obligations to acquire stock or forecasted customer orders, and do not execute customer budgetary resources. Therefore, the timing of SMA's contract authority obligations does not govern, establish, or reflect the customers' appropriation bona fide need.

25.4.3. Cost of Items. The cost of items procured by multiple-year contracts must be the amount paid for each item. If termination costs are incurred or if minimum guaranteed amounts are not met for items procured, the additional costs paid under the terms of the contract must be recorded as SMA materiel obligations.

25.5 Budgetary Accounts

25.5.1. Overview. Budgetary accounts are used to control and account for obligation authority received from appropriations and contract authority apportioned by OMB. SM activities are subject to apportionment, as required by the ADA, in accordance with the procedures prescribed in OMB Circular No. A-11, "Instructions on Budget Execution" and Volume 3, Section 17.

25.5.2. Allotments. Annual Appropriation Act general provisions provide that, "Except in amounts equal to the amounts appropriated to DWCF in this Act, no obligations may be made against a DWCF to procure war reserve materiel inventory unless the Secretary of War has notified the Congress prior to any such obligation." Obligation authority for mobilization must be allotted and allocated separately as a direct program. Conversely, non-mobilization obligations must be allotted and allocated separately as a reimbursable program and accounted and reported separately.

25.5.3. Budget Execution Balances for budgetary accounts are displayed on the SF 133, "Report on Budget Execution and Budgetary Resources" and the Defense Finance and Accounting Service "Accounting Report (Monthly) 1307, part VII" (see Volume 3, Section 17).