



DOW FMR SUPPLEMENTAL: VOLUME 12

A Procedural Guide for Special Accounts, Funds and
Programs

OUSW(C)/ODCFO/FMPR
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1.0 GENERAL

Purpose

This Supplemental document is the official companion document to the Department of War (DoW) Financial Management Regulation (FMR) Volume 12." Its purpose is to provide the detailed, step-by-step guidance required to implement the high-level policies established in the FMR. While the FMR provides the authoritative rules (the "what" and the "why"), this manual provides the operational "how-to."

These procedures are subordinate to and directly supports FMR Volume 12. It does not establish new policy but rather provides details to comply with the policies established in the FMR. Policy sections not contained within this document do not have supporting procedural guidance. Deviations from or exceptions to the procedures outlined in this Supplemental document constitute a deviation from the FMR and require a formal Exception to Policy (ETP) memorandum to the OUSW(C), ODCFO for approval. Where this Supplemental is silent, the strict limits established in the baseline FMR Policy Volume take absolute precedence. The content in this guide was formerly integrated within the FMR and has been separated to create four distinct but complementary resources:

- **FMR Volume 12:** Authoritative source for high-level policy.
- **Supplemental:** Authoritative source for detailed implementation guidance. Sections 3, 8, 20, and 21 will be forthcoming in FY27.
- **Authoritative Guidance:** Laws and regulations supporting policy and procedures. Refer to the Volume 12 authoritative guidance document.
- **Glossary:** Definitions contained within supporting policy and procedures. Refer to the DoW FMR Glossary.

2.0 FUNDS

2.1 Fund Groups

2.1.1. Fund Groups and Symbols

All accounts are identified by fund groups through assignment of numeric and/or alphanumeric account symbols. The symbol assigned to an account is determined after consideration of the governmental effect of the account and the source of the receipt, and the availability of the fund for expenditure. Some of these accounts have a significant impact on DoW operations. The FAST Book contains all of the fund groups, account symbols, and titles. Table 1-1 lists the fund groups and the range of federal fund account symbols.

Table 12-1. Fund Groups and Symbols

Fund Group	Symbols
General Funds	0000-3899
Clearing, Default, and Custodial Accounts	3500-3885
Management Funds	3900-3999
Revolving Funds	4000-4999
Special Funds	5000-5999
Deposit Funds	6000-6999
Trust Funds	8000-8999

2.1.2. Additions and Deletions. The Defense Finance and Accounting Service (DFAS) obtains new fund account symbols from the Treasury but the Office of the Under Secretary of War (Comptroller) (OUSW(C)), Program and Financial Control Directorate must approve new fund account symbols used in Standard Form (SF) 133, "Report on Budget Execution and Budgetary Resources."

2.1.3. Account symbols are the basis for reporting the Department of Defense (DoD) financial transactions. The U.S. Department of the Treasury (Treasury), Bureau of the Fiscal Service (Fiscal Service) and the Office of Management and Budget (OMB) assign account symbols consistent with the principals and standards prescribed by the Comptroller General of the United States. Fiscal Service assigns account symbols to agencies after considering the government's relationship to the accounts, the sources of the receipts, and the availability of the funds for expenditure. Receipt account symbols are arranged numerically within each fund group; that is, general, special, and trust funds. Expenditure account symbols (appropriations) and other fund accounts are arranged numerically by general, revolving, special, deposit, and trust fund groups. Fund account symbols are not the same as the United States Standard General Ledger (USSGL) accounts.

2.2 General Funds

2.2.1. General Fund Receipt Accounts (0000-3399)

General fund receipt accounts have been established to account for receipts of the Federal Government that have not been earmarked by law for a specific purpose and are preceded by an "R." For internal control purposes, none of the receipts credited to these accounts are available for obligation and expenditure. Therefore, general fund receipt account collections do not affect budgetary resources. General fund receipt account collections do provide resources to the Congress to fund appropriations. However, a congressional appropriation action requires a separate accounting process.

2.2.2. General Fund Expenditure Accounts (0000-3899)

General Fund accounts record amounts appropriated by Congress for the general support of the government. Appropriations are statutory authorities to incur obligations and make payments from the Treasury for specified purposes. When a law appropriates budget authority, it specifies the period of availability. The period of availability is the amount of time the entity may create new obligations. This is called the period of availability for new obligation of the budget authority, and the period is normally specified in the law providing the budget authority.

2.2.2.1. Annual Appropriations (Annual Budget Authority). An annual appropriation has a period of availability for only one fiscal year or less. An example of an annual appropriation is Operation and Maintenance, Army, 021 21 2020.

2.2.2.2. Multiple-Year Appropriations (Multi-Year Budget Authority). A multi-year appropriation has a period of availability for two or more fiscal years. An example of a multi-year appropriation is Other Procurement, Navy, 017 21/22 1810.

2.2.2.3. No-Year Appropriations (No-Year Budget Authority). A no-year appropriation has an indefinite period of availability because the appropriation is available until all funds are expended or the appropriation is no longer needed. An example of a no-year appropriation is Environmental Restoration, Air Force, 057X0810.

2.3 Clearing, Default, and Custodial Accounts (3500-3885)

Clearing, default, and custodial accounts temporarily hold unidentifiable general, revolving, special, or trust fund collections that belong to the Federal Government. An "F" preceding the last 4 digits of the fund account symbol identifies these accounts. These clearing, default, and custodial accounts are to be used only when there is a reasonable basis or evidence that the collections or disbursements belong to the U.S. Government and therefore properly affect the budgetary resources of the DoW activity. None of the collections recorded in clearing, default, or custodial fund accounts are available for obligation or expenditure while in a clearing, default, or custodial account.

2.3.1. Budget Clearing Account

Budget Clearing Account (suspense), F3875, temporarily credits unclassified transactions from the public when there is a reasonable presumption that the amounts belong to the agency. Therefore, unlike deposit accounts, clearing accounts immediately affect the budget.

2.3.2. Custodial Accounts

Custodial Clearing Account (F36XX), a subset of the clearing account, temporarily holds funds collected as well as accounts for accruals and transfers related to funds collected on behalf of a Treasury Account Symbol (TAS) other than the General Fund of the U.S. Government.

2.3.3. Undistributed Intragovernmental Payments Account

Undistributed Intragovernmental Payments, account F3885, is used to temporarily credit unidentified or unclassified transactions between Federal agencies, including Intragovernmental Payment and Collection (IPAC) transactions.

2.4 MANAGEMENT FUND ACCOUNTS (3900-3999)

Management fund accounts are working fund accounts authorized by law to facilitate accounting for administration of intragovernmental activities other than a continuing cycle of operations. Such accounts generally do not own a significant amount of assets nor do they have a specified amount of capital provided (a corpus of the fund). A management fund provides a means of interim financing and accounting for: (1) an operation or project that is financed by more than one appropriation or fund and whose costs cannot be distributed and charged to the financing appropriations or funds immediately, or (2) an operation or project that is established pursuant to a transfer of functions involving two or more appropriations or funds under authority of law. An example of a management fund is the Air Force Management Fund, 057X3960.

2.5 Revolving Funds (4000-4999)

Revolving funds are established to finance a continuing cycle of business-type operations. Revolving fund accounts are authorized to be credited with receipts, incur obligations, and make expenditures. Revolving fund collections are normally available for obligation and expenditure without further action by the Congress. However, DoW revolving funds (except for some business areas within the Defense Working Capital Fund) are subject to apportionment by OMB. Apportionment by OMB precludes obligation or expenditure of funds in excess of the apportioned balance during a fiscal period. The concepts in this section normally apply to revolving funds.

2.5.1. General

There are two types of revolving funds. Public enterprise revolving funds are distinguished from intragovernmental revolving funds by the source of revenues. Public enterprise revolving fund revenues come primarily from outside the Federal Government. Intragovernmental revolving fund revenues come primarily from other federal appropriations or funds.

2.5.1.1. Appropriations and/or reappropriations are usually provided to start, increase the size, or replace significant losses of a revolving fund. Also, existing resources in other accounts may be transferred to a revolving fund as capitalized assets to serve the same purposes in lieu of an appropriation. The resources used to commence or increase the size of a revolving fund are commonly referred to as “the corpus of the revolving fund.” The corpus forms the nucleus of resources used to acquire the resources needed to perform the mission of the revolving fund.

2.5.1.2. Revenues are generated in DoW revolving funds from reimbursable actions on behalf of authorized beneficiaries. Those revenues result in collections of funds. The funds collected are used to pay for the acquisition of resources needed to operate the revolving fund. In revolving funds that are apportioned by OMB, the use of the budgetary resources associated with those collections to incur obligations is limited to the amount of obligation authority available for the fiscal period.

2.5.1.3. Budgetary resources available for apportionment action include:

2.5.1.3.1. Unobligated balances brought forward.

2.5.1.3.2. Appropriations.

2.5.1.3.3. Contract authority.

2.5.1.3.4. Spending Authority from Offsetting Collections (Anticipated collections, reimbursements, and other income)

2.5.1.3.5. Recoveries of prior year obligations.

2.5.1.3.6. Restorations.

2.5.1.4. The apportionment of anticipated reimbursements does not authorize a revolving fund to obligate in excess of the contract authority, borrowing authority, or reimbursable orders received from within the Federal Government and advances received for orders outside the Federal Government. Orders from state, local, and foreign governments are considered to be orders from the public.

2.5.1.5. In the case of loan programs, budgetary resources available for obligation from loan repayments and interest on loans are comprised of actual collections when authorized to be used. Loan repayments in the form of loans receivable and interest receivable are amounts due but not collected. These amounts are not available for obligation until collected.

2.5.1.6. Other assets, whether of a working capital nature such as inventories of stock or of a fixed asset nature, are not considered as a budgetary resource. Such assets, therefore, do not enter into the determination of unobligated balances.

2.5.1.7. Some revolving funds, particularly public enterprise funds, have budget authority exclusively for the fund that is technically outside the fund as long as it remains

“undrawn.” This concept may apply to the authority to borrow from the public, authority to borrow from the Treasury, and sometimes contract authority.

2.5.1.8. The amount of obligational authority apportioned or the available balance of obligational authority may be less than the total budgetary resources available in a revolving fund. The difference, which cannot be obligated unless it is apportioned, may be characterized as either an unapportioned balance of a revolving fund or a restrictive withholding. The concept of an unapportioned balance is one of preserving a portion of the fund’s capital so it may continue to revolve.

2.5.2. DoW Public Enterprise Revolving Funds (4000-4499)

Public Enterprise revolving funds include but are not limited to the Special Defense Acquisition Fund and the Homeowners Assistance Fund.

2.5.2.1. The Special Defense Acquisition Fund is funded by the use of a limited amount of certain foreign military sales collections as authorized by Congress. The fund is used to acquire items needed in anticipation of sales to foreign governments. The proceeds from the sales of the fund are used to acquire items in anticipation of future sales. Budgetary resources provided from sales to customers are not available for use until collections occur and OMB approves apportionment of funds by category of item. The apportionment of funds by OMB provides control over the obligations for the acquisition of approved categories of items. The Special Defense Acquisition Fund was assigned the symbol 011X4116 by the Treasury.

2.5.2.2. The Defense Homeowners Assistance Fund is funded by borrowing authority and appropriations. The fund is used to acquire homes under certain criteria when a DoW installation is closed. The fund acquires homes as assets and assumes the related liabilities. All properties acquired by the Homeowners Assistance Fund are managed and disposed of by the U.S. Army Corps of Engineers. At the time of sale of a property, revenues are recorded and gains and losses on the disposition of the asset are determined. Costs incurred related to a property must be capitalized as an increase in the amount of the asset whenever value is added to the property. Under certain conditions, losses incurred on private sales of qualified property may be reimbursed as operating expenses of the fund. Certain other operating expenses may be authorized. The budgetary resources provided from sales or lease of property are only available for obligation after collection and when apportioned by OMB. The Defense Homeowners Assistance Fund was assigned the fund account symbol 097X4090 by the Treasury.

2.5.3. Intragovernmental Revolving Funds (4500-4999)

DoW intragovernmental revolving funds include but are not limited to the Defense Working Capital Fund, and the Pentagon Reservation Maintenance Revolving Fund.

2.5.3.1. The Defense Working Capital Fund was established to fund the operation of certain support functions within DoW. This fund was formed from five previously existing industrial funds, four previously existing stock funds, and selected Defense Agency support functions that were previously funded through direct appropriations. The Defense Working Capital Fund provides support functions such as inventory, maintenance, communications, depot

maintenance, military airlift, and sealift. Services are provided on a reimbursable basis to authorized customers. The Defense Working Capital Fund was assigned the fund account symbol 097X4930 by the Treasury.

2.5.3.2. The Pentagon Reservation Maintenance Revolving Fund was established by the Fiscal Year 1991 National Defense Authorization Act and is codified in Title 10, U.S. Code, section 2674. The Pentagon Reservation Maintenance Fund finances the activities of the Washington Headquarters Services, the Pentagon Force Protection Agency, and the Raven Rock Mountain Complex. The fund provides space, building services, and force protection for the DoW Components, including Military Departments and other activities housed within the Pentagon Reservation. The Pentagon Reservation Maintenance Revolving Fund was assigned the fund account symbol 097X4950 by the Treasury.

2.6 Special Funds (5000-5999)

2.6.1. Special Fund Receipt Accounts

The Department credits special fund receipt accounts with receipts from specific sources earmarked by law for specific purposes. At the point of collection, these receipts are either available immediately or unavailable for expenditures depending upon statutory requirements.

2.6.2. Special Fund Expenditure Accounts

Special fund expenditure accounts are established to record amounts appropriated or otherwise made available by transfers from a special fund receipt account to be obligated and expended for special programs in accordance with specific provisions of law. An example of a DoW special fund account is the Wildlife Conservation, fund account symbol X5095.

2.7 Deposit Funds (6000-6999)

Deposit fund accounts are established to account for collections that are either held temporarily and later refunded or paid upon administrative or legal determination as to the proper disposition thereof, or held by the government as banker or agent for others and paid out at the direction of the depositor. Deposit funds are liabilities of the Federal Government. Deposit fund transactions are excluded from the budget totals because the amounts are not owned by the government, and therefore are not available for the incurrence of any Federal Government obligations or payment of any Federal Government obligations. This section identifies various types of deposit funds.

2.7.1. Monies Withheld

Monies withheld by the government from payments for goods and services received. This type of transaction may be treated as a deposit fund liability only when a budgetary account has been charged and the funds are being held by the government pending payment; for example, payroll deductions for savings bonds or state and state income taxes.

2.7.2. Deposits from Outside Sources

Deposits received from outside sources for which the U.S. Government is acting solely as a banker, fiscal agent, or custodian.

2.7.3. Monies Awaiting Distribution

Monies held by the U.S. Government awaiting distribution on the basis of a legal determination or investigation. This category includes monies in dispute (between the Government and outside parties) when ownership is in doubt and there is no present basis for estimating ultimate distribution.

2.8 Trust Funds (8000-8999)

2.8.1. Trust Revolving Funds (8400-8499)

A trust revolving fund is a single account that is authorized to be credited with receipts and incur obligations and expenditures in support of a continuing cycle of business-type operations in accordance with the provisions of the trust agreement or statute. Trust revolving fund receipts are available for obligation and expenditure without further action by the Congress. In general, DoW trust funds authorized to incur obligations and expend receipts have been exempted from apportionment by the OMB. However, the Defense Commissary Agency Surcharge Collections, Sales of Commissary Stores trust revolving fund is subject to apportionment by the OMB.

Figure 12-1. Management Fund Requirements

1.0 APPROVAL OF CHARTERS AND MANAGEMENT FUND ACCOUNTS

A separate administrative account, called a management fund account, must be established for each operation or project that is to be financed by a management fund. This account must be established only with the approval of the Under Secretary of War (Comptroller) (USW(C)). As a basis for approval of a management fund account, a proposed charter and explanation of the reasons for the use of the management fund as the means of financing the operation or project must be submitted to the USW(C) via the Deputy Chief Financial Officer (DCFO).

1.1 The proposed charter must be prepared in the uniform format prescribed in Figure 12-2. If a Military Department is to be responsible for administration of the account, the proposed charter must be submitted under the signature of either the Secretary, Under Secretary, or an Assistant Secretary of the Military Department. A proposed charter submitted by a Defense Agency must be signed by the Director or Deputy Director of the Agency concerned. When appropriations or funds of more than one DoW Component are to share in the financing of a proposed account, the concurrence of each DoW Component involved must be evidenced by the signature of the Component comptroller or an equivalent official.

1.2 The scope of operations of a management fund account, as prescribed in the charter, must not be exceeded. However, the basic provisions of a charter may be changed by submitting a proposed charter amendment in the same manner as an original charter application.

1.3 The USW(C) must evidence approval of a charter or an amendment by signing the charter and returning a copy to the applicable DoW Component as its authority to commence operations subject to availability of funds. The original must be retained in the official files of the USW(C).

2.0 DISCONTINUANCE OF A MANAGEMENT FUND ACCOUNT

When a management fund account is to be discontinued, the managing DoW Component must submit a termination notice to the USW(C) stating the reason for discontinuing the account and the estimated date of final liquidation.

3.0 BUDGETING, FINANCING, ACCOUNTING, AND REPORTING

3.1 Budgets and Financial Plans

3.1.1. Annual budget estimates must be prepared for each management fund in accordance with Volume 2.

3.1.2. An operating budget or financial plan must be prepared annually and updated quarterly by the managing DoW Component for each management fund account in a format appropriate for management planning and control purposes. A copy of the operating budget or financial plan for an operation or project must be submitted with the request for approval of an account charter. When required for purposes of obtaining advances or for guidance in estimating appropriation or fund requirements, copies of operating budgets or financial plans also must be furnished to participating DoW Components or their organizational subdivisions.

3.2 Financing and Administrative Control of Funds

3.2.1. Obligational authority for the conduct of operations under a management fund account is provided by reimbursable orders, either with or without advances, whichever may be appropriate. The reimbursable orders may be issued in periodic increments to lessen the administrative workload and they must specify the accounting classifications to be used for billing purposes.

3.2.2. The management fund must be controlled administratively in accordance with Volume 14. No obligation may be incurred against a management fund that is not chargeable to a specific order and the appropriation or fund supporting that order.

3.3 Billing and Payment

3.3.1. Management fund outlays must be charged to appropriations or funds as prescribed in the account charter and specified in the reimbursable order.

3.3.2. Billing and payment must be accomplished by SF 1081, “Voucher and Schedule of Withdrawals and Credits.” In the case of financing by means of advances, the advances must be accomplished by SF 1081 prepared and processed as of the beginning of the period covered by the advance. In all cases, however, the DoW Component responsible for the management fund account must submit monthly bills to participating organizations to permit them to charge appropriate accounts and record the reduction in the advance accounts, as well as to permit the managing DoW Component to adjust its own accounts.

3.4 Accounting and Reporting. Financial transactions must be classified under each management fund account in enough detail to meet management planning and control requirements. The principles, standards, and requirements in this Regulation apply to the accounting and reporting systems, including the recording and reporting of the source, application, and status of funds. Additional financial reporting that may be needed by participating organizations for management purposes must be specified by the DCFO and the Heads of the DoW Components.

Figure 12-2. Uniform Format for Management Fund Account Charters

1.0 IDENTIFICATION OF MANAGEMENT FUND ACCOUNT

The proposed charter must be numbered serially within each Military Department or the Office of the Secretary of War, and the management fund account must be identified by a brief but descriptive title. Serial numbers must be reserved for existing management fund accounts; thus, if a Military Department has three active management fund accounts, the next proposed charter will be No. 4. A reference must be made to this section as authority for the management fund account.

2.0 PURPOSE

A brief but complete description of the operation or project to be financed by the management fund must be included in this section.

3.0 PARTICIPATING ORGANIZATIONS

The organizational units within the managing Military Department or Defense Agency and the organizations in the other Military Departments or Defense Agencies that will participate in the operation or project must be identified in this section.

4.0 ADMINISTRATION

The following information must be included in this section:

4.1 The name and location of the organization or office that will be responsible for management and direction of the operation or project.

4.2 The location of the accounting and other administrative records.

4.3 The location of the principal place of business, if different from paragraphs 4.1, and 4.2.

4.4 Special provisions concerning administrative and logistic support.

5.0 BUDGETING, FINANCING, ACCOUNTING, AND REPORTING

The following information must be included in this section:

5.1 Arrangements for the preparation and submission of operating budgets or financial plans.

5.2 Provisions for financing, that is, by reimbursement with or without advances; provisions for determining and allocating costs when appropriate; and provisions for the return of unexpended balances of advances.

5.3 The management fund title and symbol.

5.4 A brief description of the system of accounts and of the system of internal control, including administrative control over funds.

5.5 The nature of the expenses chargeable to the operation or project.

5.6 Reporting policies and procedures.

6.0 TERM AND DURATION OF THE ACCOUNT

This section must specify the commencement date and the termination date of the operation or project or, for an operation or project of indefinite duration, the conditions under which the operation or project will terminate.

REQUESTED:

(Signature of appropriate official
of the managing DoW Component)

CONCURRED

(Signature of appropriate official
of a participating DoW Component)

(Signature of appropriate official
of a participating DoW Component)

APPROVED:

(Date)
Under Secretary of War (Comptroller)

3.0 CONTRIBUTIONS FOR DEFENSE PROGRAMS, PROJECTS, AND ACTIVITIES

4.0 DIRECT LOANS AND LOAN GUARANTEES

4.1 Accounting Standards

4.1.1. Explanation

The specific accounting standards for direct and guaranteed loans are discussed in this section. The standards concern the recognition and measurement of direct loans, the liability associated with loan guarantees, and the cost of direct loans and loan guarantees.

4.1.2. Accounting Standards

4.1.2.1. Post-1991 Direct Loans. Refers to direct loan obligations made on or after October 1, 1991, and the resulting direct loans. Direct loans disbursed and outstanding are recognized as assets at the present value of their estimated net cash inflows. The difference between the outstanding principle of the loans and the present value of their net cash inflows is recognized as a subsidy cost allowance.

4.1.2.2. Post-1991 Guarantees. Refers to loan guarantee commitments made on or after October 1, 1991, and the resulting loan guarantees. For guaranteed loans outstanding, the present value of estimated net cash outflows of the loan guarantees is recognized as a liability. Disclosure is made of the face value of guaranteed loans outstanding and the amount guaranteed.

4.1.2.3. Subsidy Costs of Post-1991 Direct Loans and Loan Guarantees. A subsidy expense is recognized for direct or guaranteed loans disbursed during a fiscal year. The amount of subsidy expense equals the present value of estimated cash outflows over the life of the loans, minus the present value of estimated cash inflows, discounted at the average interest rate on marketable United States (U.S.) Treasury securities of similar maturity to the cash flows of the loan or loan guarantee for which the estimate is being made.

4.1.2.3.1. For the fiscal year during which new direct or guaranteed loans are disbursed, the components of the subsidy expense of those new direct loans and loan guarantees are recognized separately as interest subsidy costs, default costs, fees and other collections, and other subsidy costs.

4.1.2.3.2. The interest subsidy cost of direct loans is the excess of the amount of the loans disbursed over the present value of the interest and principal payments required by the loan contracts, discounted at the applicable U.S. Treasury interest rate. The interest subsidy cost of loan guarantees is the present value of estimated interest supplement payments.

4.1.2.3.3. The default cost of direct loans results from projected deviations, other than prepayments by the borrowers, from the payment schedule in the loan contracts. The deviations include delinquencies and omissions in interest and principal payments. The default cost is measured at the present value of the projected payment deviations minus projected net recoveries. Projected net recoveries include the amounts that would be collected from the

borrowers at a later date, or the proceeds from the sale of acquired assets, minus the costs of foreclosing, managing, and selling those assets.

4.1.2.3.4. The default cost of loan guarantees results from paying lenders' claims upon default of the guaranteed loans. The default cost of loan guarantees is measured at the present value of projected payments to lenders required by the guarantee, plus uncollected fees, minus interest supplements not paid as a result of the default, and minus projected net recoveries.

4.1.2.3.5. The present value of fees and other collections is recognized as a deduction from subsidy costs.

4.1.2.3.6. Other subsidy costs consist of cash flows that are not included in calculating the interest or default subsidy costs, or in fees and other collections. They include the effect of prepayments within contract terms. (See Appendix A)

4.1.2.4. Subsidy Amortization and Reestimation. The subsidy cost allowance for direct loans is amortized by the interest method, using the interest rate that was originally used to calculate the present value of the direct loans when loans were disbursed, after adjusting for the interest re-estimate.

4.1.2.4.1. The amortized amount is recognized as an increase (when effective interest exceeds nominal interest) or a decrease (when nominal interest exceeds effective interest) in interest income. Nominal interest equals the nominal balance (i.e., the face amount) of the loan outstanding at the beginning of the period multiplied by the interest rate stated in the loan contract.

4.1.2.4.2. Effective interest equals the book value of the loan (i.e., net of allowance for subsidy) multiplied by the applicable U.S. Treasury interest rate.

4.1.2.4.3. Interest is accrued and compounded on the liability of loan guarantees at the interest rate that was used to calculate the present value of the loan guarantee liabilities when the guaranteed loans were disbursed. The accrued interest is recognized as interest expense, after adjusting for the interest re-estimate.

4.1.2.5. Criteria for Default Cost Estimates. The criteria for default cost estimates apply to both initial estimates and subsequent reestimates. Default costs are estimated and reestimated for each program on the basis of separate cohorts and risk categories. Cohort refers to the fiscal year of obligation for direct loan obligations or loan guarantee commitments of a program. Risk category means subdivisions of a cohort of direct loans or loan guarantees into groups that are relatively homogenous in cost, given the facts known at the time of obligation or commitment. The reestimates take into account the differences in cash flows between the projected and realized amounts, and changes in other factors that can be used to predict the future cash flows of each risk category.

4.1.2.5.1. In estimating default costs, the following risk factors are considered: (a) loan performance experience; (b) current and forecasted international, national, or

regional economic conditions that may affect the performance of the loans; (c) financial and other relevant characteristics of borrowers; (d) the value of collateral to loan balance; (e) changes in recoverable value of collateral; and (f) newly developed events that would affect the performance of the loan. Improvements in methods to reestimate defaults are also considered.

4.1.2.5.2. Each credit program must use a systematic methodology, such as an econometric model, to project default costs of each risk category. If individual accounts contain significant dollars that would carry a proportionately higher weight in terms of risk exposure, an analysis of the individual accounts is warranted in making the default cost estimate for that category.

4.1.2.5.3. The actual historical experience for the performance of a risk category is a primary factor upon which an estimation of default cost is based. To document the actual experience, a database must be maintained to provide historical information on the actual payments, prepayments, late payments, defaults, recoveries, and amounts written off.

4.1.2.6. Revenues and Expenses. Interest accrued on direct loans, including amortized interest, is recognized as interest income. Interest accrued on the liability of loan guarantees is recognized as interest expense. Interest due from the U.S. Treasury on uninvested funds is recognized as interest income. Interest accrued on debt to the U.S. Treasury is recognized as interest expense. Costs for administering credit activities, such as salaries, legal fees, and office costs, that are incurred for credit policy evaluation, loan and loan guarantee origination, closing, servicing, monitoring, maintaining accounting and computer systems, and other credit administrative purposes, are recognized as administrative expenses. Administrative expenses are not included in calculating the subsidy costs of direct loans and loan guarantees.

4.1.2.7. Pre-1992 Direct Loans and Loan Guarantees. The losses and liabilities of direct loans obligated and loan guarantees committed before October 1, 1991, are recognized when it is more likely than not that the direct loans will not be collected in total, or that the loan guarantees will require a future cash outflow to pay default claims.

4.1.2.7.1. The allowance for uncollectible amounts and the liability of loan guarantees must be reestimated each year as of the date of the financial statements. In estimating losses and liabilities, the risk factors discussed in subparagraph 4.1.2.5.1 must be considered. Disclosure equates to the face value of guaranteed loans outstanding and the amount guaranteed.

4.1.2.7.2. Restatement of pre-1992 direct loans and loan guarantees on a present value basis is permitted but not required.

4.1.2.8. Modification of Direct Loans and Loan Guarantees. The term “modification” means a Federal action, including new legislation or administrative action, which directly or indirectly alters the estimated subsidy cost and the present value of outstanding direct loans, or the liability of loan guarantees.

4.1.2.8.1. Direct modifications are actions that change the subsidy cost by altering the terms of existing contracts or by selling loan assets. Existing contracts may be altered

through such means as forbearance, forgiveness, reductions in interest rates, extensions of maturity, and prepayments without penalty. Such actions are modifications unless they are considered reestimates, or workouts, as defined in subparagraph 4.1.2.8.3, or are permitted under the terms of existing contracts.

4.1.2.8.2. Indirect modifications are actions that change the subsidy cost by legislation that alters the way in which an outstanding portfolio of direct loans or loan guarantees is administered. Examples include a new method of debt collection prescribed by law or a statutory restriction on debt collection.

4.1.2.8.3. The term "modification" does not include subsidy cost reestimates, the routine administrative workouts of troubled loans, or actions that are permitted within the existing contract terms. Workouts are actions taken to maximize repayments of existing direct loans or minimize claims under existing loan guarantees. The expected effects of workouts on cash flows are included in the original estimate of subsidy costs and subsequent reestimates.

4.1.2.9. Modification of Direct Loans. With respect to a direct or indirect modification of pre-1992 or post-1991 direct loans, the cost of modification is the excess of the pre-modification value of the loans over the post-modification value of those loans. The amount of the modification cost is recognized as a modification expense when the loans are modified.

4.1.2.9.1. When a post-1991 direct loan is modified, the existing book value of that loan is changed to an amount equal to the present value of the net cash inflows projected under the modified terms from the time of modification to the loan's maturity. That amount is discounted at the original discount rate, which is the rate that originally was used to calculate the present value of the direct loan when the direct loan was disbursed, after adjusting for the interest rate reestimate.

4.1.2.9.2. When a pre-1992 direct loan is directly modified, it is transferred to a financing account and its book value is changed to an amount equal to its post-modification value. Any subsequent modification is treated as a modification of post-1991 loans. When a pre-1992 direct loan is indirectly modified, it is kept in a liquidating account. The bad debt allowance is reassessed and adjusted to reflect amounts that would not be collected due to the modification.

4.1.2.9.3. The changes in the book value of both pre-1992 and post-1991 direct loans, resulting from a direct or indirect modification, and the cost of modification, normally will differ due to the use of different discount rates or different measurement methods. Any difference between the change in book value and the cost of modification is recognized as a gain or loss. For post-1991 direct loans, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

4.1.2.10. Modification of Loan Guarantees. With respect to a direct or indirect modification of pre-1992 or post-1991 loan guarantees, the cost of modification is the excess of the post-modification liability of the loan guarantees over the pre-modification liability of those loan guarantees. The modification cost is recognized as a modification expense when the loan guarantees

are modified and result in a subsidy cost increase or decrease, which must be recorded on the SF-133; refer to OMB Circular A-11, section 185.30 for complete details.

4.1.2.10.1. The existing book value of the liability of modified post-1991 loan guarantees is changed to an amount equal to the present value of net cash outflows projected under the modified terms from the time of modification to the maturity of those loans, discounted at the original discount rate (the rate that originally is used to calculate the present value of the liability when the guaranteed loans were disbursed, after adjusting for the interest rate reestimate.)

4.1.2.10.2. When a pre-1992 loan guarantee is directly modified, the modified loan guarantee is transferred to a financing account, and the existing book value of the liability of the modified loan guarantees is changed to an amount equal to its post-modification liability. Any subsequent modification is treated as a modification of a post-1991 loan guarantee. When a pre-1992 loan guarantee is indirectly modified, that loan guarantee is kept in a liquidating account. The liability of such a loan guarantee is reassessed and adjusted to reflect any change in the liability resulting from the modification.

4.1.2.10.3. The change in the amount of liability of both pre-1992 and post-1991 loan guarantees resulting from a direct or indirect modification and the cost of modification normally will differ, due to the use of different discount rates or the use of different measurement methods. Any difference between the change in liability and the cost of modification is recognized as a gain or loss. For post-1991 loan guarantees, the modification adjustment transfer paid or received to offset the gain or loss is recognized as a financing source (or a reduction in financing source).

4.1.2.11. Disclosure. Disclosure is made in notes to financial statements to explain the nature of the modification of direct loans or loan guarantees, the discount rate used in calculating the modification expense, and the basis for recognizing a gain or loss related to the modification. For further information on financial statement disclosures regarding direct or guaranteed loans, refer to Volume 6.

4.1.2.12. Foreclosure of Post-1991 Direct Loans and Guaranteed Loans. When property is transferred from borrowers to a Federal credit program, through foreclosure or other means, in partial or full settlement of post-1991 direct loans, or as compensation for losses that the government sustained under post-1991 loan guarantees, the foreclosed property is recognized as an asset. The asset is recorded at its present value, calculated by discounting estimated future net cash inflows using the original discount rate and adjusting for any subsequent interest rate reestimate.

4.12.12.1. If a legitimate claim exists by a third party or by the borrower to a part of the recognized value of the foreclosed assets, the present value of the estimated claim is recognized as a special contra valuation allowance.

4.1.2.12.2. Upon the foreclosure of a guaranteed loan, a Federal guarantor may acquire the loan involved. The acquired loan is recognized at the present value of its estimated net cash inflows from selling the loan or from collecting payments from the borrower, discounted at the original discount rate, and adjusted for the interest rate reestimate.

4.1.2.12.3. When assets are acquired in full or partial settlement of post-1991 direct loans or guaranteed loans, the present value of the government's claim against the borrowers is reduced by the amount settled as a result of the foreclosure.

4.1.2.13. Write-off of Direct Loans. When post-1991 direct loans are written off, the unpaid principal of each loan is removed from the gross amount of loans receivable. Concurrently, the same amount is charged to the allowance for subsidy costs. Prior to the write-off, the uncollectible amounts should have been reflected in the subsidy cost allowance through the subsidy cost estimate or reestimates. Therefore, the write-off would have no effect on expenses. See OMB Circular A-129 for additional details.

4.1.2.14. Additional Disclosures Required for Periods Beginning After September 30, 2000. The SFFAS No. 18 requires additional disclosures. Beginning in FY 2001, Federal agencies are required to:

4.1.2.14.1. Report subsidy reestimates in two distinct components: the interest rate reestimate and the technical/default reestimate.

4.1.2.14.2. Display a reconciliation between the beginning and the ending balances of the subsidy cost allowance for direct loans and the liability for loan guarantees, reported in an entity's balance sheet.

4.1.2.14.3. Provide a description of program characteristics and disclose:

4.1.2.14.3.1. The amounts of direct or guaranteed loans disbursed in each program during the reporting year, and the preceding reporting year;

4.1.2.14.3.2. The estimated subsidy rates for the total subsidy and the subsidy components at the program level in the current year's budget for the current year's cohorts;

4.1.2.14.3.3. events and changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions, that have had a significant and measurable effect on subsidy rates, subsidy expense, and subsidy reestimates; and

4.1.2.14.3.4. events and changes in conditions that have occurred and are more likely than not to have a significant impact, but the effects of which are not measurable at the reporting date.

4.2 Credit Reform Fund Controls

4.2.1. Overobligation or Overexpenditure of the Subsidy. This is any case where an officer or employee of the U.S. Government makes or authorizes an expenditure or creates or authorizes an obligation, including a commitment, that is in excess of amounts appropriated and apportioned for (1) the direct loan subsidy or (2) the guaranteed loan subsidy. Violation examples include modifications of direct loans or loan guarantees, such as forgiveness, forbearance, reductions in

interest rate, prepayments without penalty, and extensions of maturity, that result in obligations in excess of apportioned unobligated balances or subsidy amounts.

4.2.2. Overobligation or Overexpenditure of the Credit Level Supportable by the Enacted Subsidy. This is any case where an officer or employee of the U.S. Government makes or authorizes an expenditure or creates or authorizes an obligation, including a commitment, that is in excess of the credit program level supportable by the enacted subsidy, regardless of whether the subsidy is positive or negative. This includes obligations or expenditures that are in excess of: (1) the direct loan level, (2) the guaranteed loan level, or (3) any limitations on the loan level or the Federal share of guaranteed loan levels.

4.2.3. Overobligation or Overexpenditure of the Amount Appropriated for Administrative Expenses. This is any case where an officer or employee of the U.S. Government makes or authorizes an expenditure or creates or authorizes an obligation, including a commitment, which is in excess of the amount appropriated for administrative expenses.

4.2.4. Obligation or Expenditure of the Expired Unobligated Balance of the Subsidy Except to Correct Mathematical or Data Input Errors in Calculating Subsidy Amounts. This is any case where an officer or employee of the U.S. Government makes or authorizes expenditure or creates or authorizes an obligation, including a commitment, against unobligated subsidy balances after the period of obligation authority has expired. Correction of mathematical or data input errors up to the amount of the lapsed unobligated balance of the subsidy are specifically exempted. Corrections of these errors in excess of the amount of the expired unobligated balance of the subsidy are violations.

4.3 Computation of Interest Expense and Interest Income

4.3.1. Instructions for Computations of Interest Expense and Interest Income for Direct and Guaranteed Loan Programs

4.3.1.1. Interest expense in a direct loan program results from borrowing from the U.S. Treasury. As each loan is disbursed by the financing account to the individual borrower, subsidy funds are transferred from the program account to the financing account. Consequently, each loan disbursement is financed by two sources: subsidy transfer and borrowing from the U.S. Treasury.

4.3.1.2. A single borrowing from the U.S. Treasury is made at the beginning of each fiscal year, separately for each cohort, based on the estimated net loan disbursements for the cohort. Interest expense accrues on the borrowing, and interest income accrues on the undisbursed balance of the borrowing from the U.S. Treasury. (The undisbursed balance of U.S. Treasury borrowing is held as uninvested funds and earns interest.) The interest rate earned on the uninvested funds equals the interest rate paid on borrowing from the U.S. Treasury.

4.3.2. Frequency of Interest Computations

OMB has determined that most credit programs do not have a seasonal bias in their loan disbursement patterns. Consequently, interest expense and income calculations for cohorts that

currently are disbursing must be based on an assumption that the actual loan amounts disbursed during the year were disbursed equally throughout the four quarters. The assumption allows agencies annually to compute interest expenses and interest income, at the end of each fiscal year, using the average annual interest rate provided by OMB and the U.S. Treasury. In those few programs that have a strong seasonal pattern, OMB will calculate special weighted average interest rates appropriate to these patterns and will provide them to the agencies.

4.3.3. Weighted Average Interest Rate

The Federal Credit Reform Act provides that the interest rate for borrowing must be assigned based on the U.S. Treasury rate in effect during the period of loan disbursement. Many individual loans are disbursed in segments over several quarters or even years. Consequently, several interest rates can be applicable to an individual loan. To simplify the recordkeeping, a single weighted average interest rate is maintained for each cohort and is adjusted each year until 90 percent of the disbursements from the cohort have been made. Each year, the current year's average annual interest rate is weighted by current year disbursements and merged with the prior year's weighted average to calculate a new weighted average. Additional information regarding subsidy calculation is contained in OMB Circular A-11, Part 5, "Federal Credit."

4.3.4. Procedure and Due Dates for Computing Interest Expenses and Income Related to Borrowing for Direct Loan and Guaranteed Loan Financing Accounts

Detailed instructions for calculating interest due to and due from the U.S. Treasury are provided in I TFM 2-4600. OMB distributes the actual annual interest rates approximately 10 business days before the fiscal year-end, September 30. Each cohort has its own specific interest rate used to earn or pay interest, referred to as a cohort interest rate. The OMB Credit Subsidy Calculator (CSC) calculates the cohort interest rate. Agencies must use the most current version of the CSC, available through the OMB contact with primary responsibility for the account, to calculate interest paid to Treasury. On or before the day the interest payment is made via the Intra-governmental Payments and Collections (IPAC) system, but in any case, no later than September 30 of the current fiscal year. Agencies must email the supporting interest payment calculation to the Federal Investments and Borrowings Branch.

APPENDIX A

CREDIT REFORM: CASH FLOWS FOR DIRECT LOANS AND FOR LOAN GUARANTEES

In order to more clearly understand the cash flow process as required by credit reform for a direct loan or a guaranteed loan, two examples are provided.

EXAMPLE: Cash Flow for a \$100 Direct Loan, 20 percent subsidy, disbursed in one year

1. Congress appropriates \$20 in subsidy budget authority (BA) to the program account.
2. The \$20 subsidy is obligated when the \$100 loan is obligated.

3. The \$20 subsidy is allocated to the financing account at the time the \$100 loan is disbursed to the borrower. Simultaneously, the financial account borrows the additional \$80 needed to make the \$100 loan from the U.S. Treasury (Treasury).

4. The borrower pays fees, interest, and principal to the financing account under the terms of the loan.

5. The financing account makes payments to the Treasury over time on the \$80 portion of the loan. If the subsidy rate is accurate, the loan repayments (and other payments) to the financing account will be exactly the amount necessary to repay the original amount of \$80 borrowed from the Treasury plus interest.

6. If the subsidy is not accurate, a reestimate must be calculated, and as necessary, either:

a. an additional subsidy will be disbursed from the program account to the financial account to cover the amount of the reestimate, or

b. excess funds must be moved from the financial account to a negative receipt account, where these funds are unavailable until appropriated.

EXAMPLE: Cash flow for a \$100 Loan Guarantee with a 20 percent subsidy rate disbursed in one year

1. Congress appropriates \$20 in subsidy BA to the program account.

2. The \$20 subsidy is obligated when the \$100 loan is obligated.

3. The lending institution lends a 75 percent government-guaranteed \$100 loan to the borrower. When the loan is disbursed, \$20 in subsidy BA is allocated to the financing account. The borrower pays a 2 percent upfront fee to the agency, which is deposited into the financing account.

4. Reserves (uninvested funds) are held in the financing account and earn interest.

5. The borrower pays principal and interest to the lending institution.

6. If the borrower defaults, the reserves held in the financial account are used to make claim payments to the lending institution. If the subsidy rate is accurate, the financial account will have exactly the reserves required to cover all defaults and other subsidies for that set or cohort of loans.

7. If the subsidy is not accurate, a reestimate must be made and, as necessary, either:

a. additional subsidy must be disbursed from the program account to the financing account to cover the amount of the reestimate, or

b. excess funds must be moved from the financing account to a negative receipt account, where these funds are unavailable until appropriated.

5.0 GRANTS AND COOPERATIVE AGREEMENTS

5.1 Overview

5.1.1. Grants and cooperative agreements are legal instruments used to enter into a relationship, the principal purpose of which is to transfer a thing of value to the recipient to carry out a public purpose and stimulate the economy as authorized by law. In contrast, contracts are used to acquire property or services for a DoW Component's direct benefit or use. Grants and cooperative agreements are two types of assistance awards.

5.1.2. A DoW Component's expected level of involvement in the performance of the assistance award determines whether the legal instrument is a grant or cooperative agreement. Grants are used when a DoW Component expects no substantial involvement in carrying out the activity contemplated in the agreement, whereas cooperative agreements are used when the Component anticipates substantial involvement in carrying out the activity contemplated in the agreement.

5.1.3. A technology investment agreement, as defined in 32 Code of Federal Regulations (CFR) 37 is a cooperative agreement while a cooperative research and development agreement, as defined in Title 15 United States Code (U.S.C.), Section 3710a, is neither a grant nor a contract.

5.1.4. The accounting treatment for grants and cooperative agreements is the same. In this Chapter, the term "grant" covers both grants and cooperative agreements. The accounting treatment for international agreements is discussed in Section 8.

5.1.5. DoW grant recipients (grantees) include institutions of higher education, hospitals, non-profit organizations, local and state governments, Indian tribal governments, and for-profit entities.

6.0 FINANCIAL LIABILITY FOR GOVERNMENT PROPERTY, LOST, DAMAGED, DESTROYED, OR STOLEN

6.1 Applicability. This section prescribes the Department of War (DoW) general requirements and responsibilities for determining accountability for financial liability for lost, damaged, destroyed, or stolen government-owned property, including supply system materiel, equipment, and real property to:

6.1.1. Inquire, research, and investigate the causes of the loss, damage, destruction, or theft of government property;

6.1.2. Assess financial liability with respect to lost, damaged, destroyed, or stolen government property;

6.1.3. Account for loss, damage, destruction, or theft of government property; determine the responsibility and amount of financial liability of those found to be culpable for such financial losses; provide relief from accountability; and establish debts resulting from the assessment of financial liability; and

6.1.4. Initiate DoW (DD) Form 200, “Financial Liability Investigation of Property Loss.”

6.2 General Requirements

6.2.1. General Responsibilities

6.2.1.1. The Under Secretary of War (Comptroller) is responsible for financial policies regarding financial liability for government property lost, damaged, destroyed, or stolen.

6.2.1.2. The DoW Components are responsible for implementing policies and procedures to:

6.2.1.2.1. Determine and assess the amount of financial liability of those responsible for such losses;

6.2.1.2.2. Mitigate, reduce, or relieve financial liability when appropriate; and

6.2.1.2.3. Establish debts based on assessed financial liability and refer them for collections.

6.2.2. Initiation of General Inquiries and Investigations

6.2.2.1. Investigations are not limited to the thresholds, but may be conducted if the approving authority (see paragraph 6.3) deems a formal investigation necessary.

6.2.2.2. At a minimum, investigations must address the following information:

6.2.2.2.1. What happened?

6.2.2.2.2. How did it happen?

6.2.2.2.3. Where did it happen?

6.2.2.2.4. Who was involved?

6.2.2.2.5. When did it happen?

6.2.2.2.6. Any evidence of negligence, willful misconduct, or deliberate unauthorized use or disposition of the property.

6.2.2.3. Evidence of Negligence

6.2.2.3.1. When inquiring into the loss, damage, destruction, or theft of government property, the first consideration is whether there is evidence of negligence.

6.2.2.3.1.1. Examples of questions that can be asked in order to determine whether evidence of negligence exists are: “Would a reasonably prudent individual have acted in this manner?”, “Were there procedures governing the use of the property, and were they followed?”, “What were the circumstances that existed when the loss actually occurred?”, and “Was the individual on the job?”.

6.2.2.3.1.2. An example of a given scenario could be, if a dump truck is parked on an incline, a reasonable person would be expected to set the hand brake and leave the vehicle in park. Using blocks under the wheels might or might not be required. If the individual failed to set the brake and/or use blocks under the wheels and the truck rolled down the incline and was damaged, this could be considered evidence of negligence. A reasonably prudent person would be expected to take precautions.

6.2.2.3.2. When loss, damage, or destruction of government quarters is involved, a distinction must be made between simple and gross negligence. Evidence of simple or gross negligence depends on the conduct of the individual. If the individual failed to exercise precautions or good judgment, then simple negligence applies. If the individual’s conduct was characterized by a reckless, deliberate, or wanton disregard of foreseeable consequences, then gross negligence applies.

6.2.2.3.3. Evidence of whether simple or gross negligence was the proximate cause of the loss, damage, or destruction is based on the facts and circumstances and must be determined during the general inquiry and documented during the investigation process.

6.2.2.4. DD Form 200

6.2.2.4.1. The DD Form 200 is not required when:

6.2.2.4.1.1. An individual voluntarily makes restitution to the government for the full amount, and classified or sensitive property is not involved.

6.2.2.4.2.2. The damage involves a government-owned vehicle. In such cases, an accident investigation report may be used to document an inquiry in lieu of a DD Form 200. However, when the documentation clearly indicates that negligence or abuse was involved, or if a claim against the government is possible, a DD Form 200 must be prepared.

6.2.2.4.2.3. The loss involves shipping and transportation discrepancies attributed to carriers, which are processed and reported according to Defense Logistics Manual (DLM) 4000.25 V-2, Chapter 17. However, item discrepancy reports should be reviewed and evaluated to determine if the circumstances of the loss or damage appear to have been caused by negligence or abuse by DoW personnel. If so, a DD Form 200,

Standard Form 364, “Report of Discrepancy (ROD),” and DD Form 361, “Transportation Discrepancy Report (TDR)” must be prepared.

6.2.3. Voluntary Payments

Individuals may voluntarily choose to pay the government for lost, damaged, or destroyed government property at any time prior to involuntary collection from their pay. Individuals offering the payment do so of their own volition. The government does not seek any advantage nor forego any right by accepting a voluntary payment. An individual cannot be coerced or threatened with adverse action if payment is not voluntarily made. Individuals must be made aware of the effect of making a voluntary payment. That is, it may not be later withdrawn, avenues for relief will no longer be available, and voluntary payment does not preclude other administrative or disciplinary action. Refer to the Defense Logistics Agency Manual 5000.02, Volume 2 for additional details.

6.2.4. Review

6.2.5. Financial Liability Officer Investigations

The appointing authority may appoint a financial liability officer to determine whether the facts and circumstances support the findings and recommendations of the individual completing blocks 9 and 10 on the DD Form 200. Qualifications, duties, and responsibilities of financial liability officers are discussed in section 6.4.

6.2.6. Financial Liability Board

The appointing authority may appoint a financial liability board in lieu of an officer. The reasons for the appointment of a board include the complexity, size, or unique type of loss due to negligence or abuse. The composition, objectives, and functions of the board are discussed in section 6.5.

6.2.7. Determination of Financial Loss

6.2.7.1. Computation of Financial Loss. A computation of the financial loss to the government must be made when there is evidence to indicate that the loss was proximately caused by negligence or abuse.

6.2.7.1.1. When damaged property or items can be repaired economically or restored in condition to that immediately prior to the loss, the loss to the government must be based on the cost of repair or restoration. If the cost to repair or restore the property exceeds the cost to replace the property, or if the property cannot be replaced, the loss to the government must be as determined in subparagraph 6.2.7.1.2. For real property, the plant replacement value will be used to value the asset. If the cost to repair or restore the real property exceeds the plant replacement value, then the cost to acquire and install a new asset will be the amount of loss.

6.2.7.1.2. When property is lost, damaged, destroyed, or stolen, and the property cannot be replaced, the amount of the loss must be the fair market value of the property immediately before the loss. When a fair market value cannot readily be determined, the cost of repairs or an estimate of the repairs may be used (can be obtained from technical manuals or other reliable sources); or the acquisition cost or standard price, adjusted for depreciation may be used (based on the specified depreciation period for such item or if such a period has not been specified, based on its estimated useful life). Depreciation must be computed using the straight-line method of depreciation. In no case should property be depreciated below its scrap value. For property that is damaged beyond economic repair, the scrap or salvage value of the property must be used to reduce the loss to the government.

6.2.7.2. Liability. The financial liability of individuals is based on the actual loss to the government, as computed in subparagraph 6.2.7.1. When liability is limited by the individual's rate of pay, the amount of the actual loss to the government is still computed. However, in such cases, the financial liability of the individual is either the actual amount of the loss or the limitation based upon the rate of pay, whichever is less.

6.2.7.3. Collective Liability. If more than one individual is found financially liable for the loss, damage, destruction, or theft of government property, the individuals must be collectively held liable for the loss to the government. The government cannot collect more than the total amount of assessed liability. Therefore, the approving authority (refer to paragraph 6.3), who assessed financial liability, will decide how much to collect from each individual. Among the factors to be considered in taking collection action from each liable individual are the degree of each individual's responsibility for the loss, damage, destruction, or theft, and the ability to collect from the responsible individual.

6.3 Approving and Appointing Authority

6.3.1. Duties and Responsibilities

6.3.1.1. Approving Authority. The approving authority is responsible for establishing procedures and designating a person, typically the accountable property officer, real property accountable officer, or reviewing authority (for supply system stocks or "materiel"), to initiate and conduct the investigation, in accordance with agency procedures. DoW Component regulations must designate those individuals who may be an approving authority. The approving authority's responsibilities may be delegated; however, the delegations must be in writing. The approving authority may also act as the appointing authority or designate an appointing authority in writing. The approving authority must:

6.3.1.1.1. Designate an appointing authority when needed.

6.3.1.1.2. Disqualify oneself when a conflict of interest is possible, e.g., because the loss relates to property for which he or she is responsible and/or accountable.

6.3.1.1.3. Establish procedures and designate a person to initiate and conduct an inquiry immediately after the loss, damage, destruction, or theft is discovered.

6.3.1.1.4. Ensure that all DD Forms 200 received are accurate, complete, and signed by the appropriate individuals. See subparagraph 6.6.2.15.9 for acceptable signature formats.

6.3.1.1.5. Evaluate each DD Form 200 and either approve recommendations to assess financial liability or relieve those involved from liability, responsibility, or accountability. The approving authority approves or disapproves all DD Forms 200, regardless of dollar value, unless otherwise delegated in writing.

6.3.1.1.6. Ensure that all gains and losses that require a formal investigation are promptly and thoroughly investigated. The system used to process DD Forms 200 must be frequently reviewed to evaluate the accuracy and timeliness of the investigations.

6.3.1.1.7. Ensure that DD Forms 200 are initiated, processed, and adjudicated within the time limits that may be established by the DoW Components.

6.3.1.1.8. Require, if delays occur in the initiating or processing of a DD Form 200, a written explanation of the reason for the delay, and take appropriate corrective actions.

6.3.1.1.9. Ensure that persons held financially liable are so notified, informed of their rights (including waiver rights if government housing is involved), and given the opportunity to inspect a copy of the DD Form 200.

6.3.1.1.10. Personally evaluate each DD Form 200 when there is evidence of negligence, abuse, or theft.

6.3.1.1.11. Determine whether to delegate to the appointing authority the authority to approve or disapprove a DD Form 200 when there is no evidence of negligence or abuse, or theft.

6.3.1.1.12. Ensure, when financial liability is recommended, or when recommendations appear to be inconsistent with findings, that a judge advocate or civilian attorney has reviewed the findings and provided an opinion on the adequacy of evidence and its relationship to the findings and recommendations. This legal review must be included as part of the record with the DD Form 200 and completed before final action is taken by the approving authority.

6.3.1.1.13. Ensure that corrections of any attested entries are properly initialed and documented.

6.3.1.1.14. Overrule, when appropriate, the recommendations of the appointing authority and the financial liability officer. When this action results in the assessment of financial liability, the individuals not previously recommended for liability must be advised of their rights and afforded an opportunity to exercise their rights.

6.3.1.1.15. Formally notify individuals against whom he or she has approved financial liability.

6.3.1.2. Appointing Authority. The appointing authority determines if a financial liability officer or a financial liability board is needed to conduct an investigation. The appointing authority is designated in writing by the approving authority. The approving authority may also act as the appointing authority. The appointing authority is responsible for the following tasks:

6.3.1.2.1. Appoint a financial liability officer, if needed.

6.3.1.2.2. Appoint a board in lieu of a financial liability officer to conduct the investigation, if warranted. Reasons for considering the appointment of a board include complexity, size, or unique type of loss due to negligence or abuse (see section 6.5).

6.3.1.2.3. Provide administrative guidance to the financial liability officer or the board.

6.3.1.2.4. Review DD Forms 200 for accuracy and compliance with this Regulation.

6.3.1.2.5. Approve or disapprove the recommendations of the financial liability officer or the board, and forward personal recommendations to the approving authority.

6.3.1.2.6. Approve or disapprove DD Forms 200 when there is no evidence of negligence or abuse and authorization has been delegated in writing by the approving authority.

6.3.1.2.7. Approve or disapprove DD Forms 200 when the loss, damage, destruction or theft is less than \$100,000 and authorization has been delegated in writing by the approving authority.

6.4 Financial Liability Officer

6.4.1. Criteria

6.4.1.1. Appointment of Financial Liability Officer. The approving or appointing authority should appoint a financial liability officer to conduct a formal investigation when:

6.4.1.1.1. Recommended by an accountable officer.

6.4.1.1.2. Directed by higher authority.

6.4.1.1.3. Deemed appropriate by the approving or appointing authority (e.g., repetitive losses, evidence of negligence or abuse, or large dollar losses).

6.4.1.2. Financial Liability Officer Duty. Unless operational requirements clearly dictate otherwise, a financial liability officer must perform this function as a primary duty until the investigation has been completed.

6.4.2. Financial Liability Officer Qualifications

6.4.2.1. Selection Criteria. A financial liability officer is selected based on training, experience, competence, and ability to conduct independent and objective investigations.

6.4.2.2. Persons Eligible. The financial liability officer must be a commissioned officer, warrant officer, enlisted member in the grade of Enlisted Rank (E)-7, E-8, or E-9; or a civilian employee, General Schedule (GS) -07, or above. The financial liability officer must be senior to the individuals directly involved in the discrepancy.

6.4.2.3. Use of Reserve Component Personnel. Reserve Component commissioned officers, warrant officers, and noncommissioned officers in grades E-7, E-8, or E-9 not on active duty may serve as financial liability officers during Reserve training sessions.

6.4.2.4. Relationship to Property. A person who is accountable or responsible for, or in any way directly interested in, the property being investigated must not be appointed as a financial liability officer.

6.4.3. Financial Liability Officer Responsibilities and Duties

6.4.3.1. The primary purpose of the DD Form 200 is to aid financial liability officers in determining responsibility for lost, damaged, destroyed, or stolen property. To determine such responsibility, the facts contributing to the loss, damage, destruction, or theft must be developed by investigation.

6.4.3.1.1. The investigation may establish the fact that some other individual is at fault. The financial liability officer must not limit an investigation to verifying statements of interested parties. Rather, the financial liability officer must perform an investigation as thoroughly as needed, in his or her opinion, to ensure that all facts are fully developed, the interests of the government are fully served, and the rights of the involved individuals are fully protected.

6.4.3.1.2. An investigation is required to determine responsibility and/or liability without regard to the relationship of the responsible individual to the property. As an example, actions by the accountable property officer or property custodian should be investigated, as well as the actions of the property users.

6.4.3.2. The investigation conducted by the financial liability officer is the critical phase of the process. The financial liability officer should determine the actual facts, not as alleged but as they actually occurred. The financial liability officer's recommendations must be evaluated in succeeding reviews; therefore, the recommendations must be supported by the findings and conclusions. While conducting an investigation, the financial liability officers must conduct investigations promptly. They must inform the approving or appointing authority immediately of all delays experienced. In conducting the investigation, the financial liability officer must personally:

6.4.3.2.1. Scrutinize all available evidence.

6.4.3.2.2. Interview witnesses and secure statements, ideally in writing, from individuals concerning:

6.4.3.2.2.1. The cause of the loss, damage, or theft.

6.4.3.2.2.2. The responsibility for the loss, damage, or theft.

6.4.3.2.3. Compile evidence substantiating or refuting any statement in block 9 of the DD Form 200.

6.4.3.2.4. Physically examine the damaged property, if possible, and then release it for repair or disposal. This should be done on the first day of his or her appointment.

6.4.3.2.5. Consult the approving or appointing authority for guidance when needed.

6.4.3.2.6. Determine the amount of damage as described in subparagraph 6.2.7.1, if the property has been damaged. Determine the value of the property immediately before its damage if the property is not economically repairable. The accountable officer may be asked to assist if he or she has not been directly involved.

6.4.3.2.7. Ensure that action is taken to exercise control over the property if the property is recovered during the investigation.

6.4.3.2.8. Ensure that the total loss to the government is computed correctly.

6.4.3.2.9. Coordinate actions with the claims investigating officer when the investigation may cover loss, damage, destruction, or theft of government property that is being, has been, or will be investigated because of attendant events by a claims investigating officer. This includes cases where military personnel or civilian employees, while driving a private vehicle, damage government property and have insurance to pay for part of the loss.

6.4.3.3. The financial liability officer should make a determination from the findings and conclusions as to how the loss or damage occurred and whether negligence or abuse was involved.

6.4.3.4. After recording the findings and conclusions, the financial liability officer recommendations must be based on policies set forth in this Regulation. The financial liability officer must recommend whether to assess financial liability.

6.4.3.5. A financial liability officer's findings and recommendations are administrative, not judicial; therefore, the reports are purely advisory; the opinions do not constitute final determinations or legal judgments; and the recommendations are not binding upon appointing and approving authorities.

6.4.3.6. The financial liability officer must formally notify any person whose conduct or performance of duty may be subject to inquiry or has a direct interest in the inquiry. The financial liability officer must allow that person an opportunity to have their position considered, according to the following:

6.4.3.6.1. Give any individual against whom the financial liability officer makes a finding of financial liability a chance to examine the report of investigation after the findings and recommendations have been recorded.

6.4.3.6.2. Give the individual being recommended for financial liability the opportunity to make a statement.

6.4.3.6.3. Inform the individual that his or her statement may be used against him or her with regard to financial liability and other administrative and disciplinary actions.

6.4.3.6.4. Fully consider and attach as an exhibit to the DD Form 200 any statement made by the individual(s).

6.4.3.6.5. Request the individual to acknowledge his or her understanding of these rights by completing block 16 of the DD Form 200.

6.4.3.6.6. If appropriate, prepare a statement that the individual recommended for liability refused to sign block 16 of the DD Form 200 after being given the opportunity.

6.4.3.6.7. Mail a copy of the findings, recommendations, and evidence to the person against whom financial liability is recommended by certified mail with a return receipt requested when the person is not readily available. For example, the person may have been transferred or separated from one of the Military Services.

6.4.3.6.7.1. A full explanation of the person's rights must be included, and a reply must be requested.

6.4.3.6.7.2. If the reply is not received within 30 days after the date of mailing, the financial liability officer must record this fact and take action to complete the DD Form 200. The record must be included in, or appended to, the DD Form 200.

6.4.3.6.7.3. Any reply received subsequent to the expiration of 30 days must be forwarded through the same channels as the DD Form 200 for attachment to the original DD Form 200.

6.4.3.6.8. Consider any new evidence received after a recommendation has been made. If the financial recommendations remain unchanged, the financial liability officer must note that the added evidence was considered and must provide a rationale for not changing the decision, e.g., no new evidence or the matters do not overcome the evidence supporting the original recommendations. The notation must be on all copies of the report immediately following the original recommendation. If the financial liability officer makes a change in the original

recommendations because of the new evidence, the officer must record such a change as “Amended Recommendations.” These recommendations should be recorded immediately after the original recommendations.

6.5. Financial Liability Board

6.5.1. Financial Liability Board Role

A financial liability board may be appointed by the appointing authority for the specific role of conducting the investigation. The primary purpose of a financial liability board is to provide the appointing and approving authorities with adequate information upon which to assess liability or relieve the involved individual from liability for the loss, damage, destruction, or theft of government property. A board provides more resources than an officer to investigate losses that are large, complex, or unique. Financial liability boards are administrative, not judicial. Therefore, their reports are purely advisory, their opinions do not constitute final determinations or legal judgments, and their recommendations are not binding upon appointing and approving authorities. The board members will establish appropriate board procedures, such as voting and work priorities.

6.5.2. Appointment and Composition

6.5.2.1. Selection. The members of a financial liability board are selected based on training, experience, competence, and ability to conduct independent and objective investigations. The senior member normally must be designated as the Chair. The appointing authority must not appoint an individual who was or is accountable or responsible, or has direct interest in the property, including a financial liability officer who may have previously investigated the loss of the property.

6.5.2.2. Composition. The financial liability board members must be commissioned officers; warrant officers; enlisted members in grades E-7, E-8, or E-9; or civilian employees GS-07, or above. The board Chair and a majority of the board must normally be senior in rank to the persons directly involved.

6.5.2.3. Use of Reserve Component Personnel. A source of financial liability board members is Reserve Component commissioned officers, warrant officers, and enlisted members in grades E-7, E-8, or E-9 during their Reserve training sessions.

6.5.3. Functions

The following are specific functions of a financial liability board:

6.5.3.1. Primary Function. The primary function of a financial liability board is to research, develop, assemble, record, and analyze all available information relative to the loss. The board is required to formulate and clearly express consistent findings of facts, conclusions, and recommendations.

6.5.3.2. Collateral Function. A collateral function of the financial liability board, especially when requested by the appointing authority, is to afford a hearing to any person whose conduct or performance of duty may be subject to inquiry or who has direct interest in the inquiry.

6.5.4. Final Action by the Financial Liability Board

The board Chair completes his or her action on the DD Form 200 as the financial liability officer and recommends relief from, responsibility, or assessment of financial liability.

6.6 Preparation of DD Form 200

6.6.1. Purpose of the Form

The DD Form 200 is used to document the financial liability process for lost, damaged, or destroyed government property. When completed, the DD Form 200 is the official document to support the establishment of debts, relief from accountability, and adjustment of accountable property records, supply system stock, and financial records. Electronic equivalents of DD Form 200 are acceptable, provided they contain the same data elements and formatting as the official paper version.

6.6.2. Instructions for Preparation

6.6.2.1. Block 1. “Date Initiated:” Date when DD Form 200 is initially completed upon determination that an investigation is needed.

6.6.2.2. Block 2. “Inquiry/Investigation Number:” Number assigned to the inquiry and/or investigation in accordance with DoW Component instructions.

6.6.2.3. Block 3. “Date Loss Discovered:” Date that the investigated loss, damage, destruction, or theft is discovered.

6.6.2.4. Block 4. “National Stock No:” Enter the National Stock Numbers, manufacturer’s part number, or other identification number(s), in numerical sequence. If not applicable, enter the word “none.”

6.6.2.5. Block 5. “Item Description:” Enter the nomenclature of the item(s), including any serial number(s), model number(s), and controlled inventory item. If the item is nonstandard, give a brief description sufficient for identification. If only a portion of an end item is damaged, describe the end item fully, and then describe the damaged parts. If additional space is needed, a continuation sheet may be used. For real property, provide the Real Property Unique Identifier, the facility number, address, location, room number, and a description of the damage.

6.6.2.6. Block 6. “Quantity:” Enter the number of units and unit of issue (e.g., 1 each, 2 dozen, 5 pairs).

6.6.2.7. Block 7. “Unit Cost:” Enter the cost per unit shown in official catalogs, supply bulletins, or accountable property records. The specific reference should be indicated for audit trail purposes.

6.6.2.8. Block 8. “Total Cost:” Enter the total cost of all units of each article listed (block 6 x block 7). For real property, enter the estimated cost to repair/replace, or if the cost to repair exceeds the plant replacement value, the estimated cost to purchase and install the asset.

6.6.2.9. Block 9. “Circumstances Under Which Property Was Lost, Damaged or Destroyed:” Enter a complete statement of the facts, including the date and place of the incident. Include the name, grade, and the Electronic Data Interchange Personal Identifier (also known as the DoW Identification Number) of all persons directly involved. The statement must, at a minimum, answer five basic questions of who, what, when, where, and how (see subparagraph 6.2.2.2). Identify any appropriate contract number(s), transaction number(s), and control number(s). Add as exhibits and identify alphabetically within the block, as needed.

6.6.2.10. Block 10. “Actions Taken to Correct Circumstances Reported in Block 9 and Prevent Future Occurrences:” Include recommended actions by the accountable property officer and/or property custodian, and if appropriate by the financial liability officer, to the appointing and approving authorities.

6.6.2.11. Block 11. “Individual Completing Blocks 1 Through 10:” Person conducting the inquiry/investigation.

6.6.2.12. Block 12. “Responsible Officer (Property Record Items) or Reviewing Authority (Supply Systems Stocks):” Refer to the Volume 12 Glossary for definitions of “Responsible Officer” and “Reviewing Authority.”

6.6.2.13. Block 13. “Appointing Authority:” Refer to paragraph 6.3 for duties and responsibilities and the Volume 12 Glossary for the definition of “Appointing Authority.”

6.6.2.14. Block 14. “Approving Authority:” Refer to paragraph 6.3 for duties and responsibilities and the Volume 12 Glossary for the definition of “Approving Authority.”

6.6.2.15. Block 15. “Financial Liability Officer:” Enter findings and recommendations of the financial liability officer along with a recommendation regarding liability of the involved parties. Refer to paragraph 6.4 for duties and responsibilities, and the Volume 12 Glossary for the definition of “Financial Liability Officer.”

6.6.2.15.1. An indication that negligence on the part of the individual has not been determined.

6.6.2.15.2. A recommendation that the investigation be continued at some future time because of extenuating circumstances.

6.6.2.15.3. Recommendation for corrective actions.

6.6.2.15.4. Recommendation that the individuals involved in the loss, damage, destruction, or theft be relieved of responsibility for the property when negligence cannot be established. State the facts on which the recommendations are based. Proper conclusions must be drawn from available facts, not opinions or suspicions. The financial liability officer must sustain or refute the statements made in block 9 of the DD Form 200 and any other statements that are part of the inquiry and/or investigation. Do not use stereotyped phrases such as “loss or damage in the manner stated.” The financial liability officer must state in his or her own words how the loss or damage occurred based on the evidence obtained by the investigation.

6.6.2.15.5. As prescribed in subparagraph 6.2.7.1, include a computation of charges when recommending financial liability. The computation should show how depreciation was calculated and other factors used in determining the loss, or reference should be made to the exhibit on which the computation is recorded. The results of the computation must be entered in block 15.b.

6.6.2.15.6. Describe the disposition of the property. Once released by the financial liability officer or the appointing authority (when a financial liability officer is not appointed), property considered to be “uneconomically repairable” must be disposed of in accordance with DoWM 4160.21-V1.

6.6.2.15.7. Recommendations must be entered immediately after the findings. The recommendation must include:

6.6.2.15.7.1. Financial liability to be assessed or relief from responsibility and accountability. Also, enter this information in block 15.d. For a military member, enter monthly basic pay, and for a civilian, enter one-twelfth of the yearly salary.

6.6.2.15.7.2. Disposition instructions for any unserviceable property not previously sent to the Defense Logistics Agency, Disposition Services.

6.6.2.15.7.3. State clearly the full name, grade, DoW Identification Number, and the amount of the charge when recommending financial liability.

6.6.2.15.7.4. State if the DD Form 200 may cover the loss, damage, destruction, or theft of property for which a claim is also being processed.

6.6.2.15.8. The recommendations must represent a logical and equitable decision developed from the facts cited in the evidence and findings.

6.6.2.15.9. Sign the DD Form 200 in block 15.j, at the end of the recommendations. Acceptable signature formats include: wet signatures, electronic signatures, and digital signatures. For wet signatures, a signature card should be maintained on file to confirm identity and authorizations. The signature card must be available upon request. For electronic and digital signatures, refer to Volume 5.

6.6.2.16. Block 16. “Individual Charged:” See subparagraph 6.4.3.6.

6.6.2.17. Block 17. “Accountable Officer:” Refer to the Volume 12 Glossary for the definition of “Accountable Officer.” Record document numbers used to adjust property and financial records. All other blocks are self-explanatory.

6.7 Government Housing Liability

6.7.1. Purpose

This section describes the liability of military personnel for the loss, damage, or destruction of government housing (family housing or unaccompanied personnel housing). It describes minimum requirements for assessing financial liability when government housing, including equipment or furnishings therein, is lost, damaged, or destroyed. Government housing within the scope of this chapter includes both permanent and temporary quarters, either owned by or controlled by the U.S. Government.

6.7.2. Military Personnel Liability for Government Housing

6.7.2.1. Financial Liability of Military Members. Financial liability against military personnel for loss, damage, or destruction of government housing, including equipment and furnishings therein, is assessed for the full amount of the loss if the loss, damage, or destruction was proximately caused by gross negligence or abuse. Liability of military members for damage to government housing and related equipment and furnishings is prescribed in 10 U.S.C. § 2775 and DoWM 4165.63.

6.7.2.2. Notification and Examination. Occupants who are assessed financial liability for loss of, or damage to, assigned government housing must be notified in accordance with subparagraph 4.3.6. A member’s failure to respond must not preclude the government from completing a DD Form 200.

6.7.2.3. Determination of Negligence. Determinations must be made on whether the loss or damage to government housing was proximately caused by simple or gross negligence or abuse of the member, the member’s dependents, or guests of either. Such a determination leads to the following considerations:

6.7.2.3.1. When the proximate cause of the loss or damage is determined to be gross negligence or abuse, the financial liability of the member is the total amount of the loss to the government. Where a member’s dependent or guest causes a loss or damage through gross negligence or abuse, the member is fully liable for the loss or damage if the member was “on notice” of the particular risk involved and failed to exercise reasonable, available opportunities to prevent or limit the loss or damage. In the absence of evidence to the contrary, the member is presumed to have been “on notice” of any risks attending the activities of family members and guests on the premises.

6.7.2.3.2. Where simple negligence is determined to be the proximate cause of the loss or damage, the financial liability of the member is limited to an amount equal to basic pay for one month at the rate in effect at the time of the loss, or the amount of the loss, whichever is less.

6.8 Supply System Material

6.8.1. Inventory

6.8.1.1. Discrepancies. Despite the safeguards established by DoW Components in the care and maintenance of supply system stocks, discrepancies may occur between stock record balances and materiel in storage. These discrepancies are subject to post-count validation, pre-adjustment research, and causative research, as prescribed in DLM 4000.25-V2.

6.8.1.2. Adjustments. An adjustment must be made to the inventory and financial records to bring those records into balance after appropriate research (see DLM 4000.25-V2). Care should be taken to process the transactions correctly (e.g., an issue posted twice should be corrected by a reversal (credit transaction), not as a loss of inventory). These types of corrected discrepancies are referred to as resolved discrepancies. For unresolved inventory losses, an inventory adjustment document or a DD Form 200 must be used to substantiate adjusting the inventory and accounting records to the stock on hand and to provide relief from property accountability or responsibility.

6.8.1.3. Causative Research. The purpose of this research is to establish liability or provide relief from accountability for the accountable property officer and/or property custodian for the loss, damage, destruction, or theft of supply system materiel; and determine if the loss to the government was proximately caused by the negligence or abuse of individuals. If an individual accepts responsibility for the loss, damage, destruction, or theft of supply system materiel and voluntarily reimburses the government, a DD Form 200 is not required. The collection voucher may be used to adjust the financial and accountable property records.

6.8.1.4. DD Form 200 Used in Substantiating Inventory Loss Adjustments. When authorized, the reviewing authority may approve physical inventory adjustments equal to or less than \$50,000 when negligence or abuse is not evident or suspected. When negligence or abuse is evident or suspected, the reviewing authority must initiate an investigation in accordance with paragraph 6.2.2. The investigation must be used to substantiate adjusting the stock record and providing relief from property accountability.

6.8.2. Criteria for an Investigation

6.8.2.1. Gains and losses of sensitive items (e.g., drugs designated as controlled substances and assigned to one of five schedules by the Drug Enforcement Agency, Department of Justice, under the Comprehensive Drug Abuse, Prevention, and Control Act of 1970 and any other drugs designated for local control by the Medical Treatment Facility Commander, precious metals, hazardous materiel, small arms, ammunition, explosives) regardless of dollar value.

6.8.2.2. Gains and losses of classified items, regardless of dollar value.

6.8.2.3. Gains and losses of pilferable items when the unit price times the quantity is equal to or greater than \$2,500.00 for each stock number.

6.8.2.4. Any inventory loss when there is an indication or suspicion of fraud, theft, or negligence.

6.8.2.5. Repetitive losses when the cumulative dollar value of the inventory losses equals or exceeds the projected cost of the financial liability investigation.

6.8.2.6. Bulk petroleum when the loss exceeds the allowable loss limits per DoWM 4140.25-V9.

6.8.3. Procedures for an Investigation

6.8.3.1. Accountability and Responsibility

6.8.3.1.1. For unresolved inventory losses that meet the criteria set forth in paragraphs 6.8.2 and 6.5.6 in the DoW FMR, a DD Form 200 is required to relieve the accountable property officer or property custodian from responsibility, to substantiate the adjustment of the inventory and accounting records to the inventory on hand, and to identify problem areas or trends for corrective actions.

6.8.3.1.2. A financial liability investigation should be conducted by a person who is not directly supervised by the accountable property officer or property custodian. It must include, as a minimum, the following actions:

6.8.3.1.2.1. Review and evaluate existing procedures for their adequacy in protecting property.

6.8.3.1.2.2. Determine compliance with prescribed regulations and procedures.

6.8.3.1.2.3. Determine who is involved and what responsibilities they have been assigned.

6.8.3.1.2.4. Determine whether simple or gross negligence or abuse is evident.

6.8.3.1.2.5. Review of causative research conducted.

6.8.3.1.2.6. Determine the cause or the probable cause of the inventory loss.

6.8.3.1.2.7. Recommend actions to minimize the recurrence of the inventory loss.

6.8.3.2. Review the Adequacy of Procedures in Protecting Property

6.8.3.2.1. Physical Security Review. Determine if storage facilities are adequate to ensure proper safeguarding of all items, especially those items that are sensitive, classified, or subject to pilferage. The review should include an evaluation of compliance with regulatory requirements, procedures to determine the degree of susceptibility of items to theft or pilferage, and lessons to be learned from losses that have been experienced.

6.8.3.2.2. Receipt, Storage, and Shipment Procedures Review. Determine if adequate procedures exist to prevent loss from theft or pilferage during receipt, storage, or shipment. The degree of protection should be commensurate with statutory and regulatory requirements, the degree of susceptibility to theft or pilferage, and experienced losses.

6.8.3.3. Determine Procedural Compliance. Determine if the responsible persons have complied with existing procedures to protect government property. If they have not complied with the procedures, determine if they failed to comply or were instructed not to comply.

6.9 Petroleum Product/Losses

6.9.1. Loss Expectancy

Some losses are unavoidable in the handling and storage of volatile products. These losses can be controlled by management actions to limit the rates of loss for such products so that standards are not exceeded. For this reason, DoWM 4140.25-V9 provides allowable loss limits to accommodate product losses normally expected. Losses are categorized as in-transit, operating, and determinable; these categories are defined in DoWM 4140.25-V9. However, any trends, such as a pattern of losses within the allowable percentage, must be researched and investigated.

6.9.2. In-Transit Losses

Losses of product received at DoW activities are allowable only when the actual loss is within the allowable loss tolerance percentages. When a loss exceeds the allowable limit, a portion of the loss is not allowable, and the entire loss will be reported as prescribed in DoWM 4140.25-V9. Causative research, as described in subparagraph 6.8.1.3, must be performed if there is any suspicion of negligence or abuse on the part of U.S. Government personnel who contributed to the loss.

6.9.3. Storage or Operating Losses

The allowable storage or operating loss tolerance percentages for various types of petroleum products are prescribed in DoWM 4140.25-V9. When the loss exceeds the allowable limit, a portion of the loss is not allowable, and the entire loss must be researched and reported in accordance with the provisions in paragraph 6.8.

6.9.4. Determinable Losses

Losses that occur from determinable causes (such as tank overflows, spills, pipeline breaks, recovered abandoned product, fire, or unrecoverable tank bottom) can normally be

precluded or greatly minimized by effective management. These losses must be researched and reported in accordance with paragraph 6.8.

7.0 FOREIGN NATIONAL EMPLOYEES SEPARATION PAY ACCOUNT, DEFENSE

7.1 Procedures

7.1.1. Calculations. Disburse these amounts from the Treasury “Foreign National Employees Separation Pay Account, Defense,” 097X8165. The applicable Treasury receipt account is 097X8165.001, “Employing Agency Contributions, Defense.” Find additional guidance on obligations for separation allowances for foreign national employees in Volume 3.

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

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

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

7.1.5. Transfers

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

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

7.1.5.2. Obligate and transfer additional amounts from funds otherwise available to a DoW Component into the account under authority provided in the 10 U.S.C. § 1581, when payments from a DoW Component’s subdivision of the account exceed the balance in that Component’s subdivision. These transfers must equal the amount of the payment in excess of the balance of the DoW Component’s subdivision of the account, plus any amounts accrued but not

currently payable. Find additional guidance on the transfer of a foreign national employee from one DoW Component to another in Volume 3.

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

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

7.2 Responsibilities

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

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

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

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

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

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

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

7.2.2. DoW Components

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

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

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

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

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

8.0 INTERNATIONAL AGREEMENTS

9.0 FUNDING CIVILIAN SEPARATION INCENTIVES AND CIVILIAN PERSONNEL TRANSITION INITIATIVES

9.1 Overall Funding Policy Definitions

9.1.1. Separation Incentives/Outplacement Subsidies

9.2 Specific Funding Policies For Different Types of Employees

9.2.1. Foreign Military Sales Trust Fund

For employees paid from, or whose salaries are fully reimbursed by, the Foreign Military Sales (FMS) Trust Fund, an offer of separation incentives or civilian personnel transition initiatives (either to an FMS Fund civilian employee or to a non-FMS Fund civilian employee to benefit an FMS Fund civilian employee) must be funded as follows:

9.2.2. Separation incentives offered to an FMS civilian employee, in order to induce a voluntary separation of the FMS civilian employee, with the elimination of that FMS civilian employee position, must be paid by the FMS Fund.

9.2.3. Separation incentives offered to an FMS civilian employee, in order to create a vacancy within the same DoW Component for another FMS civilian employee who otherwise would be separated, must be paid by the FMS Fund.

9.2.4. Separation incentives offered to a non-FMS civilian employee, in order to create a vacancy for an FMS civilian employee who otherwise would have been separated, where the FMS civilian employee continues fully to support the FMS program, must be paid by the FMS Fund.

9.2.5. Any costs of outplacement subsidy described in in the DoW FMR, for an FMS civilian employee, must be funded by the FMS Fund.

9.2.6. No other separation payments are chargeable to the FMS Fund.

10.0 PRIVATIZATION OF WAR UTILITY SYSTEMS

10.2.3. Lump Sum Payment

10.2.3.1. Provisions of 10 U.S.C. § 2688 provide that any lump sum cash payment received as consideration for the conveyance of a utility system must be credited, at the election of the Secretary concerned, to an appropriation of the Military Department available for:

10.2.3.1.1. The procurement of the same utility services as are provided by the utility system conveyed;

10.2.3.1.2. Carrying out energy savings or water conservation projects (as discussed in Section 11); or

10.2.3.1.3. Improvements to other utility systems.

10.2.3.2. A lump sum payment must be credited to the appropriation used to fund the types of base operating support costs described in subparagraph 10.2.3.1 at the location of the privatized utility system. In most cases, this will be an Operations and Maintenance appropriation. Approval of the Office of the Under Secretary of War (Comptroller) (OUSW(C)), Program/Budget (P/B) is required for the use of any other appropriation type, as described in paragraph 10.3.2.

10.2.3.3. The amount credited to an appropriation must be merged with the funds in that appropriation and must be available for obligation in the same period, for the same purposes, and subject to the same conditions and limitations as that appropriation. There is no provision in the statute for extending the availability of such funds beyond the normal expiration date of the appropriation.

10.2.3.4. The conveyance of a utility system, for a lump sum payment, results in budgetary and proprietary accounting entries by the entity responsible for collection as follows:

10.2.3.4.1. Receipt of a lump sum payment is recorded in the budgetary accounts as an earned reimbursement, as described in Volume 3.

2.3.4.2. Receipt of a lump sum payment for the conveyance of a utility system is recorded in the proprietary accounts as a gain or loss on disposition of assets, as described in Volume 4.

10.3 CONVEYANCE AUTHORIZATION AND AGENDA

10.3.1. Same Utility Service Procurements

10.3.2. Savings and Conservation Projects and Improvements See Procedures document.

10.3.2.1. Receiving Organization. Before utility system conveyance proceeds may be used for carrying out energy savings or water conservation projects or improvements to other utility systems, the receiving organization must:

10.3.2.1.1. Prepare and submit to FM&C – for each major construction, minor construction, emergency construction, or Federal Energy Management Program project - the budget estimate data required by Volume 2, using DoD Form 1391 (DD Form 1391), “FY__ Military Construction Project Data.”

10.3.2.1.2. Ensure the required approval and funding authorization is received before the disbursement of funds.

10.3.2.1.3. Prepare the paperwork necessary for the disbursement of funds in accordance with Volume 5.

10.3.2.1.4. Ensure any amount credited to an appropriation from a conveyance under 10 U.S.C. § 2688, is administered in accordance with the financial policy and guidance in Volume 3.

10.3.2.2. FM&C. Before approving a receiving organization’s request to carry out energy savings or water conservation projects or improvements to other utility systems, FM&C must:

10.3.2.2.1. Review the receiving organization’s proposal submitted under subparagraph 3.2.1.1, and forward it to OUSW(C), P/B, Directorate for Military Personnel and Construction, for final approval.

10.3.2.2.2. Ensure required OUSW(C), P/B approval and funding authorization are received before the disbursement of funds is approved.

10.3.2.2.3. Provide funds control and reporting information to the supporting DFAS site.

10.3.2.2.4. Notify the receiving organization of the final decision and provide the funding authorization document.

10.3.2.3. OUSW(C), P/B, Directorate for Military Personnel and Construction

10.3.2.3.1. Before approving an FM&C request to carry out energy savings or water conservation projects or improvements to other utility systems, OUSW(C), P/B must:

10.3.2.3.1.1. Review the receiving organization’s proposal submitted under subparagraph 3.2.1.1.

10.3.2.3.1.2. Prepare and submit any necessary apportionment and reapportionment schedule using the most current version of Standard Form 132, “Apportionment and Reapportionment Schedule,” (e.g., for urgent unforeseen projects not already

included in the Military Construction program) to the Office of Management and Budget (OMB) for approval. For detailed instructions, refer to OMB Circular A-11, Part 5, Section 185.15.

10.3.2.3.1.3. Notify the FM&C of the final decision and OMB approval, and provide the funding authorization document.

10.3.2.3.2. Provide funds control and reporting information to Washington Headquarters Service (for Department-level appropriation accounting).

10.3.2.4. DFAS

10.3.2.4.1. The Military Services are responsible for ensuring that all funding authorization documents and expenditure transactions are complete and accurately reported to the DFAS Departmental Reporting System (DDRS).

10.3.2.4.2. The Director, DFAS, must account for and report to OMB and the U.S. Department of the Treasury on amounts credited to appropriations resulting from a conveyance under 10 U.S.C. 2688 and on any related fixed asset transactions.

11.0 ENERGY AND WATER SAVINGS AND REVENUE MANAGEMENT

11.1 Authoritative Guidance

11.1.1. Funds attributable to water cost savings realized under Title 10, United States Code, section 2866 (10 U.S.C. § 2866) “Water Conservation at Military Installations,” must be used as prescribed in subparagraphs 11.1.2 and 11.1.2.2, provided that subparagraph 11.1.2 is for water conservation activities. Neither 10 U.S.C. § 2866 nor any provision in the Department’s appropriations acts provides for the extended availability of such funds. Accordingly, only for the period for which they were appropriated makes such funds are available.

11.1.2. 10 U.S.C. § 2912, “Availability and Use of Energy Cost Savings,” provides that an amount of funds appropriated to DoW for a fiscal year that is equal to the amount of energy cost savings realized by the Department, including financial benefits resulting from shared energy savings contracts pursuant to 10 U.S.C. § 2913, “Energy Savings Contracts and Activities,” and in the case of operational energy, from both training and operational missions, must remain available for obligation for that fiscal year and the succeeding fiscal year, without additional authorization or appropriation.

11.1.2.1. With respect to installation energy cost savings, the amount that remains available for obligation must be used as follows:

11.1.2.1.1. One-half of the amount must be used for the implementation of additional energy resilience, mission assurance, weather damage repair and prevention, energy conservation, and energy security measures, including energy resilience and energy conservation construction projects, for buildings, facilities, or installations of the DoW, or related to vehicles and equipment of the DoW, which are designated, in accordance with regulations prescribed by

the Secretary of War, by the head of the department, agency, or instrumentality that realized the savings.

11.1.2.1.2. One-half of the amount must be used at the installation at which the savings were realized, as determined by the commanding officer of such installation consistent with applicable law and regulations, for (a) improvements to existing military family housing units; (b) any unspecified minor construction project that will enhance the quality of life of personnel; or (c) any Morale, Welfare, and Recreation facility or service.

11.1.2.2. The amount that remains available for obligation that relates to operational energy cost savings realized by the Department must be used for the implementation of additional operational energy resilience, efficiencies, mission assurance, energy conservation, or energy security within the department, agency, or instrumentality that realized that savings.

11.1.3. 10 U.S.C. § 2913, “Energy savings contracts and activities,” provides several directives and authorities to the Secretary of War to enable installations to enter into various types of agreements or participate in certain programs which enable energy savings. Much of this section provides clarifying or amplifying instruction to authorities otherwise afforded to the Secretary of War by 42 U.S.C. § 8287 through § 8287d and 42 U.S.C. § 8256.

11.1.3.1. Section § 2913(a) directs the Secretary of War to develop a simplified method of contracting for shared energy savings contract services that will accelerate the use of these contracts with respect to military installations and will reduce the administrative effort and cost on the part of DoW as well as the private sector. Contracts with shared energy savings contractors that have been selected competitively and approved by any gas or electric utility serving the department, agency, or instrumentality concerned may be provided for direct negotiation by the Secretary (by departments, agencies, and instrumentalities of DoW).

11.1.3.2. Section § 2913(b) directs the Secretary of War to permit and encourage DoW Components to participate in programs conducted by any gas or electric utility for the management of energy demand or for energy conservation.

11.1.3.3. Section 2913(c) authorizes the Secretary of War to authorize military installations to accept any financial incentive, goods, or services generally available from a State or local government or gas or electric utility, to adopt technologies and practices that the Secretary determines are in the interest of the US and consistent with the DoW’s energy performance goals in order to facilitate the cost effectiveness of DoW participation in the agreements, contracts, and programs covered by this statute. Per 10 U.S.C. § 2912(d), gas or electric utilities must be deposited and utilize financial incentives in accordance with section 11.3.

11.1.3.4. Section 2913 (d) authorizes the Secretary of War to authorize the military department secretaries to enter into agreements with gas or electric utilities to design and implement cost-effective demand and conservation incentive programs (including energy management services, facilities alterations, and the installation and maintenance of energy saving devices and technologies by the utilities) to address the requirements and circumstances of the installation. It requires that if such an agreement provides for a utility to advance financing costs

for the design or implementation of such a program to be repaid by the United States, that the cost of such advance may be recovered by the utility under terms no less favorable than those applicable to its most favored customer. Additionally, subject to the availability of appropriations, repayment of such advanced costs must be made from funds available to a military department for the purchase of utility services. Lastly, it requires that title to any energy-saving device or technology installed at a military installation pursuant to such an agreement vest in the United States. It allows that such title may vest at such time during the term of the agreement, or upon expiration of the agreement, as determined to be in the best interests of the United States.

11.1.4. 10 U.S.C. § 2916, “Sale of Electricity from Alternate Energy and Cogeneration Production Facilities,” provides that the Secretary of a military department may sell, contract to sell, or authorize the sale by a contractor to a public or private utility company of electrical energy generated from alternate energy or cogeneration type production facilities which are under the jurisdiction (or produced on land which is under the jurisdiction) of the Secretary concerned. The sale of such energy must be made under such regulations, for such periods, and at such prices as the Secretary concerned prescribes consistent with the Public Utility Regulatory Policies Act of 1978, and 16 U.S.C. § 2601, “Findings: Public Utility Regulatory Policies.” Revenues from the sale of electricity must be deposited and utilized in accordance with section 11.4.

11.1.5. 10 U.S.C. § 2919, “Department of War Participation in Programs for Management of Energy Demand or Reduction of Energy Usage During Peak Periods,” provides that the Secretary of War, the Secretaries of the military departments, the heads of the Defense Agencies, and the heads of the other instrumentalities of the Department are authorized to participate in demand response programs for the management of energy demand or the reduction of energy usage during peak periods conducted by any of the following: an electric utility; an independent system operator; a State agency; or a third party entity (such as a demand response aggregator or curtailment service provider) implementing demand response programs on behalf of an electric utility, independent system operator or State agency. Financial incentives received from such entity must be (a) received as a cost reduction in the utility bill for a facility; or (b) deposited into an Energy Savings Financial Incentives fund established under 10 U.S.C. § 2919(c) for use, to the extent provided for in an appropriations Act, by the military department, Defense Agency, or instrumentality receiving such financial incentive for energy management initiatives.

11.2 Energy Savings and Incentives Received From Utilities

11.2.1. Extended Availability from Energy Savings

11.2.2. Financial Incentives

Energy cost savings do not include financial incentives received from gas, water, or electric utilities under 10 U.S.C. § 2913 or 42 U.S.C. § 8256. In accordance with 10 U.S.C. § 2912(d), the installation’s accounts used for operations and maintenance credit these incentives and keep them available for the same purposes and the same period as the appropriation to which they are credited. Refunds or rebates are deposited in the accounts used for operations and maintenance, not credited to the utility bill.

11.3 Revenues From The Sale Of Electricity

11.3.1. Sale of Electricity

Proceeds from sales of electricity from alternate energy and cogeneration production facilities under 10 U.S.C. § 2916 must be credited to the appropriation account currently available to the military department concerned for the supply of electrical energy. The Secretary concerned or designee determines the accounts to which such proceeds must be credited. (See Treasury's Federal Account Symbols and Titles: The FAST Book for current accounts.) In the case of proceeds from the sale of electrical energy generated from any geothermal energy resource, 50 percent must be credited to the appropriation account, and 50 percent must be deposited in a special account per the guidelines that are described in 10 U.S.C. § 2916(b)(3).

11.3.2. Use of Proceeds from the Sale of Electricity

In addition to the other purposes authorized for the account into which proceeds from the sales of electricity are placed, and subject to the availability of appropriations for this purpose, proceeds credited may be used to carry out military construction projects for energy resilience, energy security, or energy conservation, under the energy performance plan developed by the Secretary of War under 10 U.S.C § 2911(b), "Energy Policy of the Department of War," including minor military construction projects for energy resilience, energy security, or energy conservation, authorized under 10 U.S.C. § 2805, "Unspecified Minor Construction," which are designed to increase energy conservation.

11.3.3. Congressional Notification

Before carrying out an unspecified minor military construction project for energy resilience, energy security, or energy conservation, described in paragraph 4.2 using proceeds from sales under paragraph 11.4.1, the Secretary concerned must notify the appropriate committees of Congress of the project. For energy conservation projects, the notification must include the justification and cost estimate, the expected savings-to-investment ration, payback estimates, and the project's measurement and verification cost estimate. For energy resilience or energy security, the notification must include the rationale for the project and known vulnerabilities. The project may then be carried out only after the end of the 14-day period beginning on the date the notification is received by Congress in an electronic medium pursuant to 10 U.S.C. § 480, "Reports to Congress: Submission in Electronic Form."

11.4 Budgeting and Energy Savings From Energy Savings Performance Contract (ESPC) and Utility Energy Service Contract (UESC):

The corresponding subparagraph of FMR Volume 12 contains no supplemental procedures.

11.5 Use of Balances Available Resulting From Energy Cost Savings

11.5.1. Installation Commanders

11.5.1.1. Installation Commanders or their designees must ensure funds made available for obligation because of energy cost savings captured in accordance with 10 U.S.C. § 2912, are expended for purposes authorized by 10 U.S.C. § 2912 (see subparagraph 1.2.2).

11.5.1.2. Submit to the Component Head or designee proposed projects for a given fiscal year and obligation data, upon request, to satisfy organizational and congressional reporting requirements.

11.5.2. Component Heads

The Component Head or designee must establish procedures to allow adequate time for computing energy cost savings and identifying the amounts to transfer into the extended availability of funds account(s). The Component Head or designee must validate that the proposed expenditures are appropriate and meet authorization requirements.

11.6 Accounting For Energy Cost Savings

The corresponding subparagraph of FMR Volume 12 contains no supplemental procedures.

11.7 Reporting Requirements

The standardized Service-specific reporting methods or the following requirements must be used to report the status of extended availability accounts:

11.7.1. Accounting Report (Monthly) 1002

The following special procedures have been established for reporting extended availability obligated and unobligated balances on the Accounting Report (Monthly), (AR(M)) 1002, Appropriation Status by Fiscal Year Program and Subaccounts:

11.7.1.1. Normal Availability Obligated and Unobligated Balances Identify and report as usual.

11.7.1.2. Extended Availability Unobligated Balances

Identify, in column F (Cumulative Unobligated Balance), unobligated extended availability amounts resulting from energy cost savings at the end of the normal availability period (e.g., FY 200X/200X+1 or FY 200X/200X+2, +3, and so on) and available unobligated amounts (that is, FY 2026/2027, FY 2026/2028, FY 2026/2029 for the FY 2026 account). The stub entry, column a (Budget Activity) identifies the unobligated extended availability amount as “Extended Availability - Energy Cost Savings.” The amount reported must agree with line 2201 of the SF 133, “Report on Budget Execution” (see paragraph 11.8.2).

11.7.1.3. Extended Availability Obligated Balances

Identify, in column E, obligations incurred against the extended availability account. The stub entry must identify those obligations as to the purpose for which the obligations were incurred. The reporting categories for the extended availability accounts must be continued for all fiscal years with remaining obligated balances against the extended availability account.

11.7.2. Standard Form 133

Refer to Volume 6 for instructions for implementing OMB Circular A-11 for the monthly SF 133, Report on Budget Execution and Budgetary Resources.

12.0 FISCAL POLICY FOR BASE CLOSURE AND REALIGNMENT

12.1 DoW Base Closure Account 1990 and DoW Base Closure Account 2005

12.1.1. The Treasury symbol for DoW Base Closure Account 1990 is 097X0510. This account is identified as the “Base Realignment and Closure Account, Part II, Defense,” in Treasury’s Federal Account Symbols and Titles (FAST) publication. Section 2711 of the National Defense Authorization Act for FY 2013 cancels this account effective upon enactment of the National Defense Authorization Act for FY 2014. Existing unobligated balances as of December 31, 2013, transfer to the new appropriation (097X0516).

12.1.2. The Treasury symbol for DoW Base Closure Account 2005 is 097X0512. This account is identified as the “Base Realignment and Closure Account 2005, Defense,” in Treasury’s FAST publication. Section 2711 of the National Defense Authorization Act for FY 2013 cancels this account effective upon enactment of the National Defense Authorization Act for FY 2014. Existing unobligated balances as of December 31, 2013, transfer to the new appropriation (097X0516).

12.1.3. The U.S. Treasury symbol for DoW Base Closure Account is 097X0516. This account is identified as the “Base Realignment and Closure Account, Defense,” in Treasury’s FAST publication. Section 2711 of the National Defense Authorization Act for FY 2013 established this account effective upon enactment of the National Defense Authorization Act for FY 2014. Existing unobligated balances as of December 31, 2013, transfer from 097X0510 and 097X0512 to the new appropriation.

12.1.4. Except as provided for in subparagraph 12.1.6 funds deposited into these accounts must be:

12.1.4.1. Funds authorized for, and appropriated to, the account.

12.1.4.2. Proceeds received from the sale or disposal of any property at an installation closed or realigned under the provisions of the Defense Base Closure and Realignment Act of 1990, P.L. 101-510.

12.1.5. Proceeds resulting from the sale or disposal of property or facilities (including buildings and structures) due to the base closure process must be deposited as reimbursements into the appropriate DoW Base Closure Account (DoW Base Closure Account 1990 or DoW Base

Closure Account 2005). Treat these reimbursements as a collection and an earned reimbursement, and credited to the appropriation as a budget source.

12.1.6. Proceeds received after September 30, 1995, from the transfer or disposal of any property at a military installation closed or realigned under the Defense Authorization Amendments and Base Closure and Realignment Act, P.L. 100-526 and Title 10, United States Code, section 2687 (10 U.S.C. § 2687) must be deposited as reimbursements into the appropriate DoW Base Closure Account.

12.1.7. Deposit a portion of the proceeds resulting from the transfer or disposal of any real property or facility acquired, constructed, or improved (in whole or in part) with commissary store funds or nonappropriated funds into the “Reserve Account.” The amount deposited must be equal to the depreciated value of the investment made with such funds in the acquisition, construction, or improvement of that particular real property or facility. Complete the depreciated value of the investment in accordance with Volume 4, for property funded with commissary store funds. See Volume 13, for property funded with nonappropriated funds.

12.1.8. Subject to their availability, funds in the account may be used to:

12.1.8.1. Carry out actions as may be necessary to close or realign any military installation. Such actions include the acquisition of such land, construction of such replacement facilities, performance of such activities, and conduct of such advance planning and design as may be required to transfer functions from an installation being closed or realigned to another military installation.

12.1.8.2. Provide economic adjustment assistance to any community located near an installation being closed or realigned. Additionally, provide community planning assistance to any community located near a military installation to which functions must be transferred as a result of such closure or realignment.

12.1.8.3. Carry out activities for the purposes of environmental restoration and mitigation at an installation being closed or realigned. This includes reducing, removing and recycling hazardous waste, and removing unsafe buildings and debris.

12.1.8.4. Offer outplacement assistance to civilian employees employed by the DoW at installations being closed or realigned.

12.1.8.5. Reimburse other federal agencies for actions performed at the request of the Secretary of War with respect to any such closure or realignment.

12.1.9. DoW Overseas Military Facility Investment Recovery Account

12.1.9.1. The Treasury symbol for the receipt account (funds deposited in the DoW Overseas Military Facility Investment Recovery Account Deposits, DoW) are 097X5193.017, .057, .021, and .097, as applicable. The Treasury symbol for the special fund account (expenditure of funds from the account) is 097X5193.

12.1.9.2. Except as offered in subparagraph 12.19.3, funds deposited into this account must be amounts paid to the United States, pursuant to any treaty, status of forces agreement, or other international agreement to which the United States is a party, for the residual value of real property or improvements to real property used by DoW civilian or military personnel.

12.1.9.2.1. Steps must be taken to ensure that the United States receives, through direct payment or otherwise, consideration equal to the fair market value (FMV) of the improvements made by the United States at facilities scheduled for release to host countries. Determine the FMV for such improvements on a facility-by-facility basis.

12.1.9.2.2. The term “fair market value of the improvements” means the value of improvements on the basis of their highest use.

12.1.9.2.3. The term “improvements” includes new construction of facilities and all additions, improvements, modifications, or renovations made to existing facilities or to real property, without regard to whether they were carried out with appropriated or nonappropriated funds.

12.1.9.3. In the case of a payment for the residual value of real property or improvements at an overseas military facility, deposit the portion of the payment that is equal to the depreciated value of the investment made with nonappropriated funds into the “Reserve Account” not in the “DoW Overseas Military Facility Investment Recovery Account.”

12.1.9.4. Subject to availability, funds in the account may be used by the DoW for payment, as shown in appropriations acts, of costs incurred by the DoW in connection with:

12.1.9.4.1. Facility maintenance, repair and environmental restoration at military installations in the United States.

12.1.9.4.2. Facility maintenance, repair and compliance with environmental laws at military installations outside the United States that the Secretary of War anticipates must be occupied by the U.S. Forces for an extended period.

12.1.10. Reserve Account

12.1.10.1. The Treasury symbol for the receipt account (funds deposited into the Reserve Account) is 097X5195.003. The U.S. Treasury symbol for the special account (expenditure of funds from the Reserve Account) is 097X5195. This account is identified as “Use of Proceeds from the Transfer or Disposition of Commissary Facilities, Defense.”

12.1.10.2. The transfer or disposal of a commissary or nonappropriated fund (NAF) facility must be connected with the closure or realignment of a military installation. Deposit into this account a portion of the proceeds equal to the depreciated value of the investment made in any real property or facility acquired, constructed, or improved (in whole or in part) with commissary store funds or nonappropriated funds.

12.1.10.3. If the proceeds from the transfer or disposal of any real property or facility acquired, constructed, or improved (in whole or in part) with commissary store funds or nonappropriated funds are greater than the depreciated value, then the excess amount must be deposited into the appropriate base closure account, not the Reserve Account.

12.1.10.3.1. The term “commissary store funds” means funds received from the adjustment of, or surcharge on, selling prices at commissary stores fixed under 10 U.S.C. § 2685.

12.1.10.3.2. The term “nonappropriated funds” means funds received from a NAF instrumentality. (See Volume 13 for additional guidance and definitions.)

12.1.10.3.3. The term “nonappropriated fund instrumentality (NAFI)” means an instrumentality of the United States under the jurisdiction of the Armed Forces (including the Military Exchange Services). NAFI programs and facilities shall be operated, maintained, and funded as an integral part of the personnel and readiness program. (See Volume 13 for additional guidance and definitions.)

12.1.10.3.4. The depreciated value of the investment made by NAF must be computed in accordance with Volume 13.

12.1.10.4. Subject to availability, funds in the account may be used for the purpose of acquiring, constructing, or improving commissary stores, and real property and facilities for NAF instrumentalities.

12.1.10.5. DoW Components are responsible for ensuring that budgeting and accounting procedures can separately identify the following:

12.1.10.5.1. Commissary

12.1.10.5.2. Exchange system

12.1.10.5.3. All other NAFI balances in the Reserve Account.

12.2 Budget and Accounting Responsibilities (1303)

12.2.1. Requests for Funds

12.2.1.1. DoW Components

12.2.1.1.1. DoW Base Closure Account Financial Plan. For planned military construction and family housing construction requirements, list separately on the financial plan each project to be executed using requested base closure funds. Also submit a separate narrative explanation for other planned expenditures to the Director, Military Personnel and Construction, OUSW(C), P/B, in sufficient detail on the Format 460-BC to support the DoW Component financial plan. Host DoW Components are responsible for coordination with all affected tenant activities, including Defense Agencies, Defense Medical Facilities Office, Reserve

Components, and nonappropriated fund activities. Tenant activities must identify specific base closure program requirements to their host DoW Component.

12.2.1.1.2. BRAC Reprogramming Procedures. Section 2905A(f) of the Defense Base Closure and Realignment Act of 1990, as amended by the FY 2008 National Defense Authorization Act, Section 2704, (P.L. 110-181) specifies certain cost and scope limits on those BRAC 2005 military construction projects with costs equal to or in excess of \$5 million, as follows:

12.2.1.1.2.1. Cost may not be increased or reduced by more than 20% or \$2 million than the authorized amount, whichever is less.

12.2.1.1.2.2. Scope may not be reduced by more than 25% from the scope specified in the most recent budget justification material.

These limits do not apply if the Secretary of War makes a determination that an increase or reduction in cost or a reduction in the scope of work for a military construction project or military family housing project “needs to be made for the sole purpose of meeting unusual variations in cost or scope.” If such a determination is made, then the DoW must notify the congressional defense committees not later than 21 days before the date on which the variation is made (or 14 days if notification submitted electronically). The Deputy Under Secretary of War for Installations and Environment memorandum of February 27, 2008, delegated notification responsibility to the DoW Components contingent upon OUSW(C) and OSW BRAC Office concurrence.

12.2.2. Funds Distribution

Exhibit 12-1. Accounting Entries for Recording Warrants

Dr 411900 Other Appropriations Realized
Cr 445000 Unapportioned Authority

Dr 101000 Fund Balance With Treasury
Cr 310100 Unexpended Appropriations – Appropriations Received

To record the appropriation warrant (FMS 6200).

12.2.2.3. DoW Components. The DoW Components must:

12.2.2.3.1. Record the Fund Authorization for the base closure accounts received from the Director, Military Personnel and Construction, OUSW(C), P/B. Exhibit 12-2 illustrates the most common entry used to accomplish this action.

Exhibit 12-2. Accounting Entries for Fund Authorization

Dr 445000 Unapportioned Authority
Cr 451000 Apportionments

To record the Fund Authorization received from OUSW(C) P/B.

12.2.2.3.2. Receive and record the allocations of base closure funds received from the Director, Military Personnel and Construction, OUSW(C), P/B, subdivide the allocations of the base closure accounts by subaccount, and distribute the base closure funds to the installations responsible for base closure actions. Each DoW Component must distribute the base closure funds to its installations in accordance with its normal fund distribution procedures. The applicable subaccounts are shown in Exhibit 12-3.

Exhibit 12-3. Base Closure Accounts by Subaccount

Military Construction:

Construction

a. (Project)

b. (Project)

Planning and Design

NOTE: The military construction subaccount must be reserved for projects listed individually on the Format 460 accompanying the fund allocation document.

Family Housing:

Construction

a. (Project)

b. (Project)

Planning and Design

Operations

Operation and Maintenance (O&M):

Civilian Severance Pay

Civilian Permanent Change of Station (PCS)

Transportation of Things

Facilities Sustainment

Program Management (civilian work years, travel, and related support dedicated to implementation efforts)

Environmental:

Includes environmental restoration, including reducing, removing, and recycling hazardous wastes, and removing unsafe buildings and debris; Memoranda of Agreements between Defense and States (DSMOA), and reimbursements to the Agency for Toxic Substance and Disease Registry (ATSDR); and mitigation efforts associated with a military installation closure or realignment. Mitigation efforts do not apply to the DoW Base Closure Account.

Community Programs:

Community Planning Assistance: For communities located near a military installation to which functions must be transferred as a result of a closure or realignment of a military installation.

Economic Adjustment Assistance: For communities located near a military installation being closed or realigned.

Federal Agencies Reimbursement:

Includes reimbursements to other federal agencies for actions, other than for environmental activity discussed in this exhibit, performed with respect to any closure or realignment.

Military Personnel:

Limited to PCS and Temporary Duty (TDY) expenses dedicated to implementation efforts.

Procurement-type Items:

The procurement account should be limited to investment items in accordance with the expense/investment criteria.

Other Costs:

Any other expenses associated with base closure and realignment efforts.

12.2.2.3.3. Account for the receipt and allotment of the allocations using the entries in Exhibit 12-4.

Exhibit 12-4. Accounting Entries for Recording Allocations

Dr 455000 Internal Fund Distributions Received

Cr 456000 Funds Available For Allotment

Dr 101000 Fund Balance With Treasury

Cr 310100 Unexpended Appropriations – Appropriations Received

To record receipt of an allocation of direct program obligational authority.

Dr 456000 Funds Available For Allotment

Cr 457000 Allotments Issued

Dr 101000 Fund Balance With Treasury

Cr 310100 Unexpended Appropriations – Appropriations Received

To record the allotment of direct program obligational authority to a subordinate activity.

12.3 Plan Execution

The DoW Components must:

12.3.1. Record the allotment of base closure funds provided to installations. Exhibit 12-5 illustrates the entries to record the allotment.

Exhibit 12-5. Accounting Entries for Recording Allotments for Base Closure Accounts

Dr 458000 Allotments Received

Cr 461000 Allotments--Realized Resources

Dr 101000 Fund Balance With Treasury

Cr 310100 Unexpended Appropriations – Appropriations Received

To record receipt of an allotment.

12.3.2. Implement base closure and realignment actions and administer their allocation of base closure funds in accordance with their approved financial plan.

12.3.2.1. Exhibit 12-6 illustrates the entries for recording expenses that result in a fund outlay and that are incurred as a result of a DoW base closure.

Dr 461000 Allotments--Realized Resources
Cr 490200 Delivered Orders --Obligations, Paid
and
Dr 610000 Operating Expenses/Program Costs
Cr 101000 Fund Balance With Treasury

12.3.2.2. Losses that do not result in a fund outlay and that are incurred as a result of a DoW base closure must be accounted for as an extraordinary loss. Exhibit 12-7 illustrates these entries.

Dr 173900 Accumulated Depreciation on Buildings, Improvements and Renovations
Dr 174900 Accumulated Depreciation on Other Structures and Facilities
Dr/Cr 730000 Extraordinary Items (Debit for Loss or Credit for Gain)
Cr 171100 Land and Land Rights
 Cr 173000 Buildings, Improvements and Renovations
 Cr 174000 Other Structures and Facilities

12.3.4. Rephase planned execution of the financial plan as the situation dictates, and with the prior approval of the Under Secretary of War for Acquisition and Sustainment or designee, the Director for Base Closure and Utilization, and in coordination with the Director, Military Personnel and Construction, OUSW(C), P/B. A revised Format 460-BC and supporting documentation must be prepared that reflects the changes in the financial plan.

12.4.1. Appropriated Fund Activities

12.4.1.1. Expenses that Ordinarily Result in a Cash Outlay

12-60

12.4.1.1.2. Family Housing projects, including construction, planning and design, and operations for which base closure funds are requested.

12.4.1.1.3. Operations and Maintenance-type efforts including civilian severance pay, civilian PCS, outplacement assistance transportation of things, facilities sustainment, and program management (civilian work years, travel, and related support dedicated to implementation efforts).

12.4.1.1.4. Environmental projects including environmental restoration (reducing, removing, and recycling hazardous wastes, and removing unsafe buildings and debris), Memoranda of Agreements between the DoW and the various states, and reimbursements to the Agency for Toxic Substance and Disease Registry (ATSDR).

12.4.1.1.5. Community Programs including economic adjustment assistance to a community in which the closed base is located, or community planning assistance to the community to which functions must be transferred as a result of a closure or realignment of a military installation.

12.4.1.1.6. Federal agencies including reimbursements to other Federal agencies for actions, other than for environmental activity discussed in subparagraph 5.1.1.4, performed with respect to any closure or realignment.

12.4.1.1.7. Military Personnel, limited to PCS and TDY expenses dedicated to implementation efforts.

12.4.1.1.8. Procurement-type Items for those items normally purchased with procurement appropriations.

12.4.1.1.9. Other expenses associated with base closure and realignment efforts.

12.4.1.2. Losses that Do Not Ordinarily Result in a Cash Outlay. Losses on real property or facilities sold, leased, transferred, or disposed of in connection with the closure or realignment of a military installation.

12.4.2. Disposition of DoW Base Closure Assets

The loss (or gain) from the sale, lease, or other disposal of assets must be recorded by the activity having financial custody of those assets. The sale, lease, or other disposal action must only be recorded in proprietary accounts of that installation. Any proceed generated from the sale, lease, or other disposal action of assets does not add to, or otherwise affect, the budgetary accounts of that activity. Exhibit 12-8 illustrates these entries.

Exhibit 12-8. Accounting Entries For Extraordinary Loss (Or Gain) Resulting From the Sale or Other Disposal of Base Closure Assets

Dr 101000 Fund Balance With Treasury
 Dr 173900 Accumulated Depreciation on Buildings, Improvements, and Renovations
 Dr 174900 Accumulated Depreciation on Other Structures and Facilities
 Dr/Cr 730000 Extraordinary Items (Debit for Loss or Credit for Gain)
 Cr 171100 Land and Land Rights
 Cr 173000 Buildings, Improvements, and Renovations
 Cr 174000 Other Structures and Facilities

To record extraordinary loss (or gain) resulting from the sale or other disposal of base closure assets.

Figure 12-1. DoW Base Closure Account Financial Plan

DOD BASE CLOSURE ACCOUNT FINANCIAL PLAN		SERVICE FISCAL YEAR OF APPROPRIATION (Dollars, in Thousands)			SUBMISSION NO. As of:	
INSTALLATIONS/PROJECT(S)	PROGRAM AMOUNT	CHANGE AMOUNT	PREVIOUSLY APPROVED	PROPOSED	QT	OSD APPROVED
(a)	(b)	(c)	(d)	(e)	(f)	(g)
A. <u>Military Construction</u> 1. Construction a. (Project) b. (Project) 2. Planning and Design B. <u>Family Housing</u> 1. Construction a. (Project) b. (Project) 2. Planning and Design 3. Operations C. <u>Operation and Maintenance (O&M)</u> 1. Civilian Severance Pay 2. Civilian PCS 3. Transportation of Things 4. Facilities Sustainment 5. Program Management D. <u>Environmental</u> E. <u>Community Programs</u> 1. Community Planning 2. Economic Assistance F. <u>Federal Agencies</u> G. <u>Military Personnel</u> H. <u>Procurement-type Items</u>						

13.0 TRANSFERRING, DISPOSING, AND LEASING OF REAL PROPERTY AND PERSONAL PROPERTY

13.1 Leases: Non-excess Property and Personal Property

13.1.1. Leases for non-excess property may be accepted under the following conditions:

13.1.1.1. The lease is not more than five years unless the Secretary concerned determines a longer period to be in the public interest.

13.1.1.2. The lease has a provision that it may be revoked at any time. If the lease is revoked to sell the property, the lessee may be given the first option to buy.

13.1.1.3. The payment (in cash or in-kind) is not less than the fair market value.

13.1.1.4. The lease may not provide for a leaseback payment of more than \$500,000 per year by the Secretary concerned or DoW.

13.1.1.5. Deposit all fees received from such leases (other than from leases of property at a military installation designated for closure or realignment) into a special Treasury account established for that Secretary.

13.1.1.6. Deposit proceeds deposited in the special Treasury account established for the Secretary concerned to make proceeds available to that Secretary and distributed by the Office of the Under Secretary of War (Comptroller), Program/Budget (OUSW(C)/PB) consistent with appropriation law. See paragraph 13.2.2.

13.1.1.7. This section does not apply to oil, mineral, or phosphate lands.

13.1.2. Repeal of 10 U.S.C. § 2667a. The Duncan Hunter National Defense Authorization Act for fiscal year 2009 repealed 10 U.S.C. § 2667a, “Leases: non-excess property of War agencies” (see Public Law 110-417, section 2812). This authority is now incorporated into 10 U.S.C. § 2667, as revised, and that section now covers leases by both military services and Defense Agencies. In addition:

13.1.2.1. The repeal of 10 U.S.C. § 2667a does not affect the validity or terms of any lease with respect to the property of a Defense Agency entered into by the SecWar under 10 U.S.C. § 2667a.

13.1.2.2. Amounts deposited in a special Treasury account established for a Defense Agency pursuant to 10 U.S.C. § 2667a before repeal and amounts that would be deposited in connection with outstanding leases:

13.1.2.2.1. Remain available until expended for the purposes specified in section 2667a, specifically, solely for the maintenance, repair, restoration, or replacement of the leased property; or

13.1.2.2.2. To the extent provided by appropriations law, it must be transferred to the special Treasury account described in paragraphs 13.1.5 and 13.1.6.

13.1.3. Easements for Rights-of-Way. 10 U.S.C. § 2668 allows the Secretary of a Military Department to grant easements for rights-of-way over, in, and upon public lands under the Secretary's control. This authority is available provided the Secretary of that Military Department finds that the easement will not be against the public interest.

13.1.3.1. The easement may be made upon such terms as the Secretary considers advisable. The authorized purposes of the easement are listed in 10 U.S.C. § 2668(a).

13.1.3.2. Account for proceeds and in-kind consideration received from the granting of easements in the manner specified for leases of DoW property in 10 U.S.C. § 2667. See paragraphs 13.1.5 and 13.1.6.

13.1.4. Natural Resource Conservation. 10 U.S.C. § 2694a allows the Secretary of a Military Department to convey certain surplus real property for purposes of natural resource conservation.

13.1.4.1. Surplus property that may be conveyed under this authority is limited to property that:

13.1.4.1.1. Is under the administrative control of the Secretary;

13.1.4.1.2. Is suitable and desirable for conservation purposes;

13.1.4.1.3. Has been made available for public benefit transfer for a sufficient period of time to potential claimants; and

13.1.4.1.4. Is not subject to a pending request for transfer to another Federal agency or for conveyance to any other qualified recipient for public benefit transfer under the real property disposal processes and authorities in 40 U.S.C. § 550, "Disposal of real property for certain purposes."

13.1.4.2. Entities eligible to receive surplus property for purposes of natural resource conservation are limited to states, political subdivisions of a state; and nonprofit organizations that exist for the primary purpose of conservation of natural resources on real property.

13.1.5. Accounting Procedures for Leases of Real and Personal Property

13.1.5.1. Deposit of Funds. Deposit funds received from the lease or easement of real and personal property under 10 U.S.C. § 2667 and 10 U.S.C. § 2668 (other than from leases of property at a military installation designated for closure or realignment) into the special fund Treasury receipt account, net of amounts paid for utilities and services furnished to lessees.

13.1.5.2. Services Furnished to Lessees. Treat payments for utilities and services furnished lessees pursuant to leases as a normal reimbursable transaction with funds credited to the appropriation account or working capital fund from which the cost of furnishing the utilities and services was paid.

13.1.5.3. Designated Purposes. Deposit funds in Treasury receipt account 5189 to the Secretary concerned for expenditure to the extent provided for in appropriation acts, for the following:

13.1.5.3.1. Maintenance, protection, alteration, repair, improvement, or restoration (including environmental restoration) of property or facilities.

13.1.5.3.2. Construction or acquisition of new facilities.

13.1.5.3.3. Lease of facilities.

13.1.5.3.4. Payment of utility services.

13.1.5.3.5. Real Property maintenance services

13.1.5.4. Use of Proceeds

13.1.5.4.1. At least 50 percent of the funds deposited are available for the designated purposes at the military installation or Defense Agency location where the proceeds were derived.

13.1.5.4.2. Proceeds deposited for designated purposes, derived from activities associated with a military museum, must be available for that museum.

13.1.5.4.3. The Secretary concerned may spend the remainder of the funds deposited for the designated purposes as described in subparagraph 13.1.5.3.

13.1.5.5. Agricultural and Grazing. The Secretary concerned may retain and spend money for rentals received related to a lease for agricultural or grazing purposes to cover the administrative expenses of agricultural or grazing leases and to cover the financing of multiple-land use management programs at any installation under the jurisdiction of the Secretary. This provision does not apply to lands acquired by the United States for flood control or navigation purposes or any related purpose, including the development of hydroelectric power.

13.1.5.5.1. To ensure appropriate accounting and reporting of proceeds from agricultural and grazing leases, the Military Departments must factor collections received into their annual budget process and request the Office of Management and Budget to apportion them prior to use. See 10 U.S.C. § 2667 for complete guidance for collections and disbursements related to agricultural and grazing leases. The Military Departments are prohibited from using suspense account F3875 to record and report these proceeds.

13.1.5.5.2. When recording the direct offsetting collections in general fund accounts (e.g., an Operation and Maintenance account for agricultural and grazing lease proceeds), the Military Departments must use United States Standard General Ledger (USSGL) account 426600 “Other Actual Business-Type Collections From Non-Federal Sources,” which provides direct spending authority on line 1800 of the Standard Form (SF) 132, “Apportionment,” and the SF 133, “Report on Budget Execution and Budgetary Resources.”

13.1.5.6. Leases under 10 U.S.C. § 2667a. The provisions of this paragraph apply to the proceeds from leases of War Agency property under 10 U.S.C. § 2667a (repealed October 2008) only to the extent provided by appropriation law. Otherwise, such proceeds may be used only for costs related to the leased property. See subparagraph 13.1.5.1. The repeal of this section does not affect the validity or terms of any lease with respect to the property of a Defense Agency entered into by the SecWar before the repeal date of October 14, 2008.

13.1.5.7. Accounting Entries. The value of lease payments received and payments for services provided will be recognized as revenue. The accounting entries for the recognition of revenue are specified in the DoW USSGL, Standard Financial Information Structure (SFIS) Transaction Library, primarily in Category C, “Collections and Receivables.”

13.1.5.8. Appropriation Authority. Per section 8034 of the fiscal year 2005 DoW Appropriations Act, Public Law 108-287, amounts deposited in special Treasury accounts established pursuant to 40 U.S.C. § 572 and 10 U.S.C. § 2667 during fiscal year 2005 and in subsequent years remain available until transferred by the SecWar to current applicable appropriations, at which point they are available for the same time period and the same purposes as the appropriation to which transferred.

13.1.6. Special Treasury Fund for the Proceeds of Sale and Lease

13.1.6.1. Requirements. The special funds are to be established and operated under the provisions of Section 1, “Funds.” The special funds designated by the Treasury for use in connection with 40 U.S.C. § 572, 40 U.S.C. § 485, and 10 U.S.C. § 2667, are Treasury Fund Symbols 5188, “Disposal of DoW Real Property,” and 5189, “Lease of DoW Real Property.” These Federal Treasury account symbols have been established as no-year accounts. These Funds and applicable point accounts are listed in Table 13-1.

13.1.6.2. Purposes

13.1.6.2.1. 40 U.S.C. § 572. Any net proceeds (gross proceeds less expenses of transferring or disposing of the property) received from the transfer or disposal of real property under 40 U.S.C. § 572 must be deposited into special fund Treasury receipt account 5188, “Disposal of DoW Real Property,” with point accounts as listed in Table 13-1. See paragraph 13.1.5 for the appropriate accounting treatment.

13.1.6.2.2. 10 U.S.C. § 2667(e)(1)(A). Funds received from leases of real property entered into pursuant to 10 U.S.C. § 2667 must be deposited into the special fund Treasury receipt account 5189, “Lease of DoW Real Property,” with point accounts as listed in Table 13-1.

Funds received from leases of personal property must also be deposited into the special fund Treasury receipt account 5189, "Lease of DoW Real Property." See paragraph 13.1.5 for the appropriate accounting treatment.

13.1.7. Acceptance of Funds to Cover Administrative Expenses

13.1.7.1. In connection with real property transactions with nonfederal persons or entities, 10 U.S.C. § 2695 states: "...the Secretary of a Military Department may accept amounts provided by the person or entity to cover administrative expenses incurred by the Secretary in entering into the transaction." Acceptance of funds applies to the following transactions:

13.1.7.1.1. The exchange of real property;

13.1.7.1.2. The grant of an easement over, in, or upon real property of the United States;

13.1.7.1.3. The lease or license of real property of the United States;

13.1.7.1.4. The disposal of real property of the United States for which the Secretary will be the disposal agent; or

13.1.7.1.5. The conveyance of real property under 10 U.S.C. § 2694a.

13.1.7.2. Amounts collected for administrative expenses must be credited to the appropriation, fund, or account from which the expenses were paid. The amounts credited must be merged with funds of an identical appropriation, fund, or account and must be available for the same purposes and subject to the same limitations as these funds.

13.1.7.3. Accounting Entries. Funds received to cover administrative expenses will be recognized as revenue. Standard accounting entries are specified in the USSGL SFIS Transaction Library.

13.1.8. Leases: In-Kind Consideration

13.1.8.1. Acceptance of In-Kind Consideration. Generally, the receipt of cash is the preferred form of consideration for leases of buildings and property of the Federal Government per 40 U.S.C. § 1302. In some cases, under 10 U.S.C. § 2667, as payment of part or all of the consideration for the lease, the terms of the lease may provide for the alteration, repair, or improvement, by the lessee, of the property leased.

13.1.8.2. Types of In-Kind Consideration. In-Kind consideration falls into two categories: construction or maintenance of real property, and the reduction of expenses.

13.1.8.2.1. Real Property In-Kind Consideration involves:

13.1.8.2.1.1. Alteration, repair, or improvement of property leased in lieu of rental payments.

13.1.8.2.1.2. Maintenance, protection, alteration, repair, improvement, or restoration (including environmental restoration) of property or facilities under the control of the Secretary concerned.

13.1.8.2.1.3. Construction of new facilities for the Secretary concerned.

13.1.8.2.2. Expense-type In-Kind Consideration involves:

13.1.8.2.2.1. Provision of facilities for use by the Secretary concerned.

13.1.8.2.2.2. Provision or payment of utility services for the Secretary concerned.

13.1.8.2.2.3. Provision of real property maintenance services for the Secretary concerned.

13.1.8.2.2.4. Provision of such other services relating to activities that will occur on the leased property as the Secretary concerned considers appropriate.

13.1.8.2.3. Expense-type In-Kind Consideration results in revenue recognition equal to the operating expenses that are avoided because of receiving the in-kind contribution.

13.1.8.3. Accounting for In-Kind Consideration

13.1.8.3.1. Real Property In-Kind Consideration. SFFAS No.7, "Accounting for Revenue and Other Financial Sources and Concepts for Reconciling Budgetary and Financial Accounting", paragraph 36(d) states: "Revenue from specific types of exchange transactions must be recognized as follows: When services are rendered continuously over time or the right to use an asset extends continuously over time, such as the use of borrowed money or the rental of space in a building, the revenue must be recognized in proportion to the passage of time or the use of the asset."

13.1.8.3.2. Accounting Entries. The accounting entries for in-kind revenue earned are in the USSGL SFIS Transaction Library. To recognize revenue earned and capitalized assets received, the Treasury accounts detailed in Table 13-2 must be used. For additional information on leases see Volume 4.

13.1.9. Transfers of DoW Real Property

13.1.9.1. In accordance with 40 U.S.C. § 572(b), real property and related improvements under the control of a Military Department (other than property at a military installation designated for closure or realignment) that are determined by the Secretary of the Military Department to be excess to the needs of that Department must be made available for transfer without reimbursement to other Military Departments. If the property is not transferred to another Military Department, the Secretary of the Military Department must request the Administrator of the

General Services Administration (GSA) to transfer or dispose of such property in accordance with applicable laws.

13.1.9.2. Any proceeds generated from the transfer or disposition of property will be deposited into a special account in the Treasury. Funds deposited into the special Treasury account will be distributed to the Military Department(s) by the OUSW(C)/PB consistent with applicable appropriation law to include an amount for facility maintenance and repair or environmental restoration as stated in 40 U.S.C. § 572(b).

13.1.9.3. If a Military Department determines that real property and related improvements under its control (other than property at a military installation designated for closure or realignment) are in excess of its needs and are available for transfer to another Military Department, the transfers will be made on a non-reimbursable basis.

13.1.9.4. Both the losing and gaining Military Departments will recognize the transfer of real property in the accounting records. The value of the transfer is the net book value of the assets (acquisition cost of the real property plus the cost of capitalized improvements less accumulated depreciation). If the net book value of the property is not known or cannot be determined, the fair market value at the time of the transfer may be used. The same amount of the transfer must be used by both parties. Detailed explanations for property and fiscal accountability are required as supporting footnotes to the accounting entries.

13.1.9.5. The accounting entries for transfers between DoW components without reimbursement are standard transactions E510 and E606 specified in the USSGL SFIS Transaction Library.

13.1.9.6. The DoW (DD) Form 1354, "Transfer and Acceptance of DoW Real Property," is used to document the transfer of real property between DoW Components.

13.1.10. Disposal of DoW Real Property

13.1.10.1. Sale by GSA. If real property is not transferred to another Military Department, the SecWar must request that the GSA Administrator dispose of such real property in accordance with the provisions of applicable laws. See DoW Instruction 4165.72, "Real Property Disposal," for additional information.

13.1.10.2. Deposit of Proceeds. Any consideration (money) received must be deposited directly into the special fund Treasury receipt account 5188 with the point account specified in Table 13-1. The explanation for this transaction is as follows: to record the disposition of real property located at (include a full description and the Real Property Universal Identifier number). Monies received were deposited into the special fund Treasury account 097X5188, "Disposal of DoW Real Property," under cash voucher # _____ in accordance with 40 U.S.C. § 572.

13.1.10.3. Availability of amount deposited. To the extent provided in an appropriation act, an amount deposited in a special Treasury account from the disposal of property is available for facility maintenance and repair or environmental restoration as follows:

13.1.10.3.1. In the case of property located at a military installation that is closed, the amount is available for facility maintenance and repair or environmental restoration by the Military Department that had jurisdiction over the property before the closure of the military installation.

13.1.10.3.2. In the case of property located at any other military installation:

13.1.10.3.2.1. Fifty percent of the amount is available for facility maintenance and repair or environmental restoration at the military installation where the property was located before it was disposed of or transferred; and

13.1.10.3.2.2. Fifty percent of the amount is available for facility maintenance and repair and for environmental restoration by the Military Department that had jurisdiction over the property before it was disposed of or transferred.

13.1.10.4. Accounting Entries. The accounting entries for disposal of real property are specified in the USSGL SFIS Transaction Library, primarily in Category C, "Collections and Receivables" and Category D, "Adjustments, Write-offs and Reclassifications."

13.2 Reporting Requirements To Congress

13.2.1. Reporting and Notification

13.2.1.1. 40 U.S.C. § 572(b)(6). As part of the annual request for authorization of appropriations to the Committees on Armed Services of the Senate and the House of Representatives, the Department must include an accounting of each transfer and disposal of real property made during the fiscal year proceeding the fiscal year in which the request is made. This summary must include a detailed explanation of such disposal and the use of the proceeds received.

13.2.1.2. 10 U.S.C. § 2662(a). Includes specific reporting requirements for leases in which the Secretary of a Military Department or, with respect to a Defense Agency, the SecWar may not enter into any transactions by or for the use of that Department until the Secretary concerned submits a report to the Committee on Armed Services of the Senate and the Committee on Armed Services of the House of Representatives. These reporting requirements are discussed in detail in paragraph 3.2.

13.2.2. 10 U.S.C. § 2667(h). When a proposed lease involves only personal property, the lease term exceeds one year, and the fair market value of the lease consideration exceeds \$100,000:

13.2.2.1. This paragraph does not apply if the Secretary concerned determines that:

13.2.2.1.1. A public interest will be served as a result of the lease; and

13.2.2.1.2. The use of competitive procedures for the selection of certain lessees is unobtainable or not compatible with the public benefit served under subparagraph 13.2.2.1.

13.2.2.2. Not later than 45 days before entering into a lease, the Secretary concerned must submit to Congress written notice describing the terms of the proposed lease to include:

13.2.2.2.1. The competitive procedures used to select the lessee; or

13.2.2.2.2. In the case of a lease involving the public benefit exception authorized by 10 U.S.C. § 2667(h) (2) and the description of the public benefit to be served by the lease.

13.2.2.3. The reporting requirement described in this paragraph does not apply to the renewal or extension of a certain lease by the Secretary of the Navy for the operation of a ship within the University National Oceanographic Laboratory System. See 10 U.S.C. § 2667(h)(3) for the specific terms of this exception.

13.2.2.4. 10 U.S.C. § 2668. Copies of instruments granting easements over public lands must be furnished to the Secretary of the Interior.

13.2.3. Reporting under Title 10 U.S.C. § 2662

13.2.3.1. Under 10 U.S.C. § 2662, the Secretary concerned must submit a report to the Committee on Armed Services of the Senate and the Committee on Armed Services of the House of Representatives before entering into an acquisition, lease, license, or easement of real property owned by the United States (other than a lease or license entered into under Base Closure and Realignment Property), if the estimated price or annual fair market rental value of the property is more than \$750,000.

13.2.3.2. Reporting notifications under 10 U.S.C. § 2662 do not apply to any new facilities whose construction is accepted as in-kind consideration. The Secretary concerned must notify Congress of the proposed lease before (1) issuing a contract solicitation or other lease offering with regard to the transaction; and (2) providing public notice regarding any meeting to discuss a proposed contract solicitation with regard to the transaction. The contents of this public notification are specified in 10 U.S.C. § 2662(b)(2). Specifically, the notification must include the following with regard to the proposed lease:

13.2.3.2.1. A description of the proposed transaction, including the proposed duration of the lease;

13.2.3.2.2. A description of the authorities to be used in entering into the transaction;

13.2.3.2.3. A statement of the scored cost of the entire transaction, determined using the scoring criteria of the Office of Management and Budget;

13.2.3.2.4. A determination that the property involved in the transaction is not excess property, as required by 10 U.S.C. § 2667 (a)(3), including the basis for the determination;

13.2.3.2.5. A determination that the proposed transaction is directly compatible with the mission of the military installation at which the property is located and a description of the anticipated long-term use of the property at the conclusion of the lease;

13.2.3.2.6. A description of the requirements or conditions within the contract solicitation or other lease offering for the person making the offer to address taxation issues, including payments in lieu of taxes, and other development issues related to local municipalities; and

13.2.3.2.7. If the proposed lease involves a project related to energy production, a certification by the SecWar that the project, as it will be specified in the contract solicitation or other lease offering, is consistent with the DoW performance goals and plan required by 10 U.S.C. § 2911.

13.2.3.3. 10 U.S.C. 2662 Notification. The Secretary concerned may not enter into the actual lease with respect to property for which the information required by 10 U.S.C. § 2662(b)(2) (see 13.2.3) was submitted in a report to Congress unless the Secretary again complies with these notice-and-wait requirements. The subsequent report to Congress must include the following with regard to the proposed transaction:

13.2.3.3.1. A cross reference to the prior report that contained the information submitted under 10 U.S.C. § 2662(b)(2) with respect to the transaction;

13.2.3.3.2. A description of the differences between the information originally submitted under 10 U.S.C. § 2662(b)(2) and the information regarding the transaction being submitted in the subsequent report;

13.2.3.3.3. A description of the payment to be required in connection with the lease, license, or easement including a description of any in-kind consideration that will be accepted;

13.2.3.3.4. A description of any community support facility or provision of community support services under the lease, license, or easement, regardless of whether the facility will be operated by a covered entity (as defined in 10 U.S.C. § 2667(d)) or the lessee or the services will be provided by a covered entity or the lessee; and

13.2.3.3.5. A description of the competitive procedures used to select the lessee or, in the case of a lease involving the public benefit exception authorized by 10 U.S.C. § 2667 (h)(2), a description of the public benefit to be served by the lease.

Table 13-1. Special Funds Designated for the Proceeds of Sale and Lease of DoW Property

Treasury Symbol	Fund	Description
097X5188		Disposal of Department of War Real Property, Defense
097X5189		Lease of Department of War Real Property, Defense

Table 13-2. USSGL Accounts for Leases with In-Kind Consideration

Entry	Account	Account Description	Comments
Debit	101000	Fund Balance with Treasury	For cash received from lessee
Debit	193000	Lessor Lease Receivable	This account is used to record the present value of lease payments to be received for the lease term in leases other than short-term, intragovernmental, and lease contracts that transfer ownership. This account does not close at year-end.
Debit	1xxxxx	Appropriate asset account(s)	For capitalized assets received from or constructed by lessee
Debit	679000	Other Expenses Not Requiring Budgetary Resources	For in-kind services and non-capitalizable assets received from lessee
Credit	593000	Lessor Lease Revenue	This account is used to record the amount of revenue earned from (1) Short-term lease payments paid to a lessor based on the provisions of the lease contract; (2) Intragovernmental lease receipts to a lessor, including lease related operating costs (maintenance, utilities, taxes, etc.,) received from the lessee based on the provisions of the lease agreement; and (3) Variable payments based on future performance of the lessee or usage of the underlying asset in leases other than short-term, intragovernmental, and lease contracts that transfer ownership.

14.0 EDUCATIONAL ASSISTANCE PROGRAMS

14.1 Educational Assistance Programs

14.1.1 Veterans' Education Assistance Program (Post-Vietnam)

14.1.2. Montgomery GI Bill – Active Duty

14.1.2.1. Eligibility Requirements

14.1.2.1.1. Becomes a member of the Armed Forces (after June 30, 1985) and has served continuously for three years, or the full amount of the enlistment contract. Eligibility ends 10 years after the member separates.

14.1.2.1.2. Does not disenroll from the basic program.

14.1.2.1.3. Has their basic pay been reduced by \$100 per month for 12 months beginning the month following the 270th day of active service and MGIB election. These funds are withheld for MGIB enrollment purposes. Any amount by which the basic pay of an individual is reduced shall revert to the U.S. Treasury and shall not, for purposes of any Federal law, be considered to have been received by or to be within the control of such individual, as described in paragraph 14.2.4.

14.1.2.1.4. Meets the initial Service-defined criteria for additional or supplemental benefits of any type.

14.1.2.1.5. Members who are separated from active duty because of a disability which was not the result of the individual's own willful misconduct incurred on or after the date on which that member became entitled to educational assistance. The member's entitlement to educational assistance expires at the end of the 10-year period beginning on the date the member was discharged or released from active duty.

14.1.2.2. Benefits. The MGIB-AD provides up to 36 months of education benefits. For more information, refer to MGIB-AD Benefits.

14.1.2.3. Skill or Specialty Designator MGIB-AD "Kickers" (also known as "College Fund") for Members with specialty skills (Title 38 U.S.C. §3015(d)(1)). The Secretary may offer a benefit known as the "Kicker" to individuals who have a skill or specialty where there are critical personnel shortages or recruitment challenges. This Kicker is in addition to the assistance provided under the basic benefit. The Kicker benefit is available to members who have met the minimum requirements of their obligated period of active duty. The Kicker benefit for active-duty members is in increments of \$100 between \$150 and \$950 for up to 36 months.

14.1.2.4. Chapter 30 Benefits Transferred to Dependents (38 U.S.C. § 3020). Developed to enhance recruitment and retention of the Armed Forces members, this program allows eligible members to transfer basic educational assistance to one or more dependents. Members who meet the following criteria are eligible:

14.1.2.4.1. Completed six years of service in the Armed Forces;

14.1.2.4.2. Has a critical military skill designated by the Secretary; or

14.1.2.4.3. Is in a military specialty designated by the Secretary concerned as requiring critical military skills; and

14.1.2.4.4. Has entered into an agreement to serve at least four more years as a member of the Armed Forces.

14.1.2.5. Budget Submission Guidance. Services are to budget for the MGIB-AD "Kicker" program using the per capita rates approved by the DoW Board of Actuaries based upon the most recent actuarial valuation of the DoW educational programs.

14.1.3. Montgomery GI Bill – Selected Reserve

14.1.3.1. Eligibility Requirements. Members of the Selected Reserve who meet all of the following criteria are entitled to educational assistance:

14.1.3.1.1. On or after July 1, 1985, enlisted, reenlisted, or extended an enlistment in a Reserve component for service in the Selected Reserve for not less than 6 years or, in the case of officers, agree to serve in the Selected Reserve for six years beyond any existing Selected Reserve service contract.

14.1.3.1.2. Completed the requirements for award of a high school diploma or equivalency certificate before applying for benefits.

14.1.3.1.3. Completed the initial period of active duty for training required of the member.

14.1.3.1.4. Each person who becomes entitled to educational assistance must be given a written DD Form 2384-1, Notice of Basic Eligibility, summarizing the provisions of Chapter 1606, Title 10, U.S.C. This notice provides a date of basic eligibility contingent on meeting initial eligibility criteria.

14.1.3.1.5. Additional information on the period of eligibility can be found in DoWI 1322.17.

14.1.3.2. Period of Entitlement. Member's entitlement to educational assistance expires:

14.1.3.2.1. On the date the member is separated from the Selected Reserve, assuming the MGIB-SR basic entitlement was established after June 29, 2008.

14.1.3.2.2. At the end of the 14-year period beginning on the date on which the member became entitled to such assistance or on the date the member separates from the Selected Reserve, whichever occurs first, if the MGIB-SR basic entitlement was established from October 1, 1992, to June 29, 2008. The expiration of a service member's entitlement who is ordered to active duty under an order issued under sections 10 U.S.C. §§ 12301(a), 12301(d), and 12301(g), 10 U.S.C. § 12302, 10 U.S.C. § 12304, 10 U.S.C. § 12304a, or 10 U.S.C. § 12304b must be extended beyond the 14-year period or the date the service member separated from the Selected Reserve by the length of the period of active duty plus 4 months.

14.1.3.2.3. Upon completion of the 10-year period that began on the date that MGIB-SR basic was established from July 1, 1985, to September 30, 1992, or separation from the Selected Reserve, whichever came first.

14.1.3.3. Skill or Specialty Designators MGIB-SR "Kickers" (10 U.S.C. § 16131(i)(1)). The Secretary may offer a benefit known as the "Kicker" to individuals who have a skill or specialty where there are critical personnel shortages or recruitment challenges. This Kicker benefit is in addition to the assistance provided under the basic benefit. The period of

obligated service for the Kicker payments is separate from the period of obligated service for the basic MGIB-SR but runs concurrently with that period of obligated service. The Kicker payments may not exceed \$350 per month.

14.1.3.4. Budget Submission Guidance. Services are to budget for the basic benefit and the MGIB-SR “Kicker” programs using the per capita rates approved by the DoW Board of Actuaries based upon the most recent actuarial valuation of the DoW educational programs. Rates are updated annually and published within the President’s Budget Submission Guidance issued by the OUSW(C)/CFO.

14.1.4. Post-9/11 GI Bill

14.1.4.1. Eligibility and Benefits. See “Post-9/11 GI Bill (Chapter 33).

14.1.4.2. Skill or Specialty Designator Post-9/11 “Kicker”. Individuals who have a skill or specialty designated by the Service Secretary as described in subparagraph 14.1.2.3 and are entitled to receive the Kicker benefit under the Chapter 30 benefit are also entitled to receive that Kicker benefit with the Post-9/11 benefit. Such members are also entitled to transfer the Kicker benefit to a spouse or dependent children if conditions to transfer the basic benefit are met.

14.1.4.3. Budget Submission Guidance. Refer to subparagraph 14.1.2.5 when budgeting for the Post-9/11 Kickers.

14.2 Funding For Educational Assistance Programs

14.2.1. DoW Education Benefits Fund

14.2.1.1. The fund, 97X8098 – Department of War Education Benefits Fund (Education Fund), contains the following assets:

14.2.1.1.1. Amounts paid into the EBF from the active duty and reserve personnel appropriations;

14.2.1.1.2. Any amount that may be appropriated by Congress to the EBF;
and

14.2.1.1.3. Interest earned as a result of the investment of available EBF cash balance in U.S. Government securities. This method of funding the educational assistance program became effective July 1, 1985.

14.2.2. Education Fund Payments

Amounts payable by the DoW Active and Reserve Components to the EBF are determined using methods and assumptions approved by the DoW Board of Actuaries. The accounting principles contained in Section 15 also apply to the education benefits programs.

14.2.3. Education Fund Transfers

Amounts to be transferred to the EBF are obligated by Components at the same time military pay is obligated as required in Volume 3 and further explained in Section 15.

14.2.4. Educational Fund Deposits (Miscellaneous Receipts)

14.2.4.1. The Act provides for withholding a total of \$1,200 (in 12 equal monthly installments) from the basic pay of active-duty military members who elect to participate in the MGIB-AD (refer to paragraph 2.2). The Military Departments must deposit the withheld funds to the general fund of the Department of the Treasury (Treasury) as miscellaneous receipts. The miscellaneous receipts subaccounts are identified in the Office of the Deputy Chief Financial Officer Standard Financial Information Structure website.

14.2.4.2. For amounts withheld from active-duty members, a general fund proprietary receipt account has been established to which collections of military personnel contributions are deposited. However, the funds collected are treated as proprietary receipts of the DVA, rather than of the DoW, with the appropriate offset against budget subfunction 702 (Veterans' Education, Training, and Rehabilitation).

14.2.4.3. Even though the DoW does not receive credit for the offsetting receipts, it is responsible for collecting the contributions from individuals participating in the program. To ensure proper crediting of the collected funds, all contributions must be deposited into Miscellaneous Receipt Account 36R2473 – Contributions from Military Personnel, Veterans Educational Assistance Act of 1984. It is essential that the funds be deposited to Treasury index number "36" (DVA) rather than the index numbers for each Military Department.

14.2.4.4. Monthly Report for Miscellaneous Receipt

14.2.4.4.1. Each Military Department provides the DVA a monthly report of funds deposited to Miscellaneous Receipt Account 36R2473. The report shows only the net amount deposited.

14.2.4.4.2. Submit the report in time to reach the DVA no later than the close of business on the seventh workday after the close of the reported month. The following address must be used for sending the reports:

Department of Veterans Affairs (O47H1)
810 Vermont Avenue, NW
Washington, DC 20420
ATTN: C.O. Finance (047H1)

14.2.4.4.3. If the report cannot be submitted in time to reach the DVA by the seventh workday after the reported month, the Military Department reports by facsimile machine the amount deposited. The report must be "faxed" to the DVA Central Office, Field Finance Division.

14.2.5. “Kicker” Educational Benefit

The DVA pays all claims for benefits under the educational program. The DVA also funds most of the basic educational benefits for active-duty military members from a general fund appropriation (e.g., MGIB-AD and the Post-9/11 GI Bill). An additional benefit (i.e., the “Kicker”) may be paid at the discretion of the Secretary of War. However, this is funded in the military personnel appropriations by the DoW, as are all supplemental benefits. These funds must be paid into the EBF for subsequent transfer to the DVA.

14.2.6. Education Fund Transfer to the DVA

The EBF is used to accumulate funds for transfer to the DVA to cover the DoW share of benefits. The Director, Defense Finance Accounting Service (DFAS), must account and report for the DoW EBF since it is an Office of the Secretary of War account. In addition, the Director, DFAS, must invest the case balances of the EBF not needed to cover transfers to the DVA for payment of benefits.

14.3 Fund Transfers of Military Personnel Appropriations

Transfers from the military personnel appropriations to the DoW EBF are processed as indicated in this section. The accounting for these amounts follows the accounting requirements contained in Volume 4. Refer to Procedures document for Receipts and Expenditure Accounts, Timing, Methods for Transfer, Calculations of Transfers, and Fund Transfers To DVA from the DoW EBF.

14.3.1. Receipt and Expenditure Accounts

14.3.1.1. The DoW EBF is classified as a trust fund and uses both receipt and expenditure accounts, as it is not designated as a trust revolving fund. Receipts are available immediately for expenditure; therefore, the Treasury requires deposits to be made using the “X” symbolization for the receipt account.

14.3.1.2. Deposits are made to the following trust fund receipt accounts as applicable.

14.3.1.2.1. 97X8098.1 – Employing Agency Contributions, Department of War, Education Benefits Fund. Payments from DoW military personnel appropriations.

14.3.1.2.2. 97X8098.2 – Earnings on Investments, Department of War, Education Benefits Fund. Payments of interest by Treasury on EBF investments in U.S. securities.

14.3.1.2.3. 97X8098 – Disbursements – Unamortized Premium and Discount, Department of War Education Benefits Fund. Purchase of premium, interest, and discount.

14.3.2. Timing

Transfers of funds for a given month are accomplished on or before the last business day of that month. If the transfers are accomplished on an estimated basis, they are adjusted in the subsequent month when actual figures become available.

14.3.3. Method for Transfer of Funds

14.3.3.1. Transfers are made on an expenditure basis. Funds are disbursed from the military personnel appropriations and collected into the EBF. The disbursement and collection transactions are accomplished using the Intragovernmental Payment and Collection (IPAC) system. The disbursements and collection transactions can also be made on an SF 1081, Voucher and Schedule of Withdrawals and Credits. The disbursing officer making the payment forwards a copy of the completed SF 1081 to DFAS, and also reports both the disbursement and collection transaction on the monthly DD Form 1329, Statement of Transaction.

14.3.3.2. Completed forms are forwarded to the following email address: dfas.indianapolis-in.jja.mbx.cin-jjra@mail.mil.

14.3.3.3. The total amount transferred from the military personnel appropriation to the EBF is provided in the Military Service Contract program documentation and is reported on either the face of the SF 1081 or in a separate attachment.

14.3.4. Calculation of Transfers

14.3.4.1. Transfers to the EBF from the active component and reserve component personnel appropriations are accomplished monthly. The amounts to be transferred are calculated using the formulas provided in subparagraphs below, which are based on existing legislation and, therefore, subject to change upon any enacted amendments. The per capita amounts to be used in the calculations are determined by the DoW Office of the Actuary using methods and assumptions approved by the DoW Board of Actuaries. The per capita amount is the per-person normal cost, potentially offset by an amount related to amortizing a surplus (if this particular service or Reserve Component's portion of the Fund, as determined by the Office of the Actuary for a particular program, has a surplus). This information must be provided to the Military Departments when it becomes available.

14.3.4.2. Active-Duty Appropriations. The per capita normal cost multiplied by the number of new entrants who become eligible during the month. Eligibility is defined in subparagraph 14.1.

14.3.4.2.1. The Services must report monthly to DFAS, and DFAS must report monthly in their trial balance, the total amount of per capita contributions for each combination of benefit level and years of obligated service. The report must specify the number of members for the current month, reconciling corrections from the prior month (if any), and the per capita amounts used in the calculations. These amounts must be reported separately from contributions that fund other programs.

14.3.4.2.2. The Services must pay an amortization payment into the DoW EBF on October 1st of each year to reduce the fund's liability. The amount of the contribution, if any, for each Component must equal the amount specified in the letter for the current fiscal year issued by the DoW Board of Actuaries.

14.3.4.2.3. Amortization refers to the process of gradually paying off a program's unfunded liability over a defined period—typically five years—through scheduled payments. Each year, the amortization schedule is reset, ensuring a fresh start based on updated unfunded liabilities. While this method moves toward full funding, it does not guarantee complete resolution unless projected liabilities change. The DoW Board of Actuaries maintains the amortization rates.

14.3.4.2.4. To ensure proper crediting of contributions made to DFAS, the Services must reference the account titles listed in Table 14-1 for the Active-Duty Services specified in the letter issued by the DoW Board of Actuaries.

Table 14-1 Active-Duty Critical Skill “Kicker” Benefit Account Titles

Active-Duty Critical Skill “Kicker Benefit”
2 Year Contract \$150 per month “Kicker”
2 Year Contract \$250 per month “Kicker”
2 Year Contract \$350 per month “Kicker”
2 Year Contract \$450 per month “Kicker”
2 Year Contract \$550 per month “Kicker”
2 Year Contract \$650 per month “Kicker”
2 Year Contract \$750 per month “Kicker”
2 Year Contract \$850 per month “Kicker”
2 Year Contract \$950 per month “Kicker”
3 Year Contract \$150 per month “Kicker”
3 Year Contract \$250 per month “Kicker”
3 Year Contract \$350 per month “Kicker”
3 Year Contract \$450 per month “Kicker”
3 Year Contract \$550 per month “Kicker”
3 Year Contract \$650 per month “Kicker”
3 Year Contract \$750 per month “Kicker”
3 Year Contract \$850 per month “Kicker”
3 Year Contract \$950 per month “Kicker”
4 Year Contract \$150 per month “Kicker”
4 Year Contract \$250 per month “Kicker”
4 Year Contract \$350 per month “Kicker”
4 Year Contract \$450 per month “Kicker”
4 Year Contract \$550 per month “Kicker”
4 Year Contract \$650 per month “Kicker”
4 Year Contract \$750 per month “Kicker”
4 Year Contract \$850 per month “Kicker”
4 Year Contract \$950 per month “Kicker”
5 Year Contract \$150 per month “Kicker”
5 Year Contract \$250 per month “Kicker”
5 Year Contract \$350 per month “Kicker”
5 Year Contract \$450 per month “Kicker”
5 Year Contract \$550 per month “Kicker”

Table 14-1 Active-Duty Critical Skill “Kicker” Benefit Account Titles (continued)

Active-Duty Critical Skill “Kicker Benefit”
5 Year Contract \$650 per month “Kicker”
5 Year Contract \$750 per month “Kicker”
5 Year Contract \$850 per month “Kicker”
5 Year Contract \$950 per month “Kicker”
6 Year Contract \$150 per month “Kicker”
6 Year Contract \$250 per month “Kicker”
6 Year Contract \$350 per month “Kicker”
6 Year Contract \$450 per month “Kicker”
6 Year Contract \$550 per month “Kicker”
6 Year Contract \$650 per month “Kicker”
6 Year Contract \$750 per month “Kicker”
6 Year Contract \$850 per month “Kicker”
6 Year Contract \$950 per month “Kicker”
Amortization Payment
Post-Vietnam Era Voluntary and Involuntary Separatees (CAT III)

14.3.4.3 Reserve and National Guard Appropriations. Per capita amounts and amortization payments required. The per capita amount cost is multiplied by the number of Reserve Component members who become eligible during the preceding month. Eligibility is defined in paragraph 14.1. A contribution is made for an eligible member only once. Eligibility data is established in the Notice of Basic Eligibility described in subparagraph 14.1. This eligibility date never changes.

14.3.4.3.1. The Reserve Components report monthly to DFAS, and DFAS reports monthly in their trial balance, the total amount of per capita contributions for 10 U.S.C. Chapter 1606; to include the breakout by basic and Kicker, and within Kicker, by Kicker benefit level. The report specifies how such amounts are derived in terms of the number of members for the appropriate month, reconciling corrections from the prior month(s) (if any), and the per capita amounts used in such calculations. These amounts should be reported separately from contributions that fund other programs.

14.3.4.3.2. If required due to a program’s unfunded liability, the Reserve Components pay an amortization payment into the Department of War EBF on October 1st of each year to reduce the fund’s liability. The amount of the contribution, if any, for each component equals the amount specified in the letter for the current fiscal year issued by the DoW Board of Actuaries.

14.3.4.3.3. To ensure proper crediting of contributions made to DFAS, all Reserve Components must reference the account titles listed in Table 14-2.

Table 14-2 Selected Reserve Benefit Account Titles

Selected Reserve Benefit (10 U.S.C. Chapter 1606)
Critical Skill or Critical Unit Benefit (10 U.S.C. Chapter 1606)
\$100 monthly “Kicker” benefit
\$200 monthly “Kicker” benefit
\$350 monthly “Kicker” benefit
Amortization (10 U.S.C. Chapter 1606)

14.3.5. Fund Transfers To DVA from the DoW EBF

14.3.5.1. General Fund Appropriation Transfer Account. The DFAS transfers funds to the DVA on an expenditure basis. This is required because DVA pays the benefits from the general fund appropriation account 36X0137 – Readjustment Benefits, Veterans Administration.

14.3.5.2. IPAC Transactions. The actual transaction is accomplished by using IPAC. The DVA provides DFAS a letter of intent to disburse prior to making any IPAC transactions. This request is sent to dfas.indianapolis-in.jja.mbx.cin-jjra@mail.mil. The DVA reports the collection into 36X0137 on DD Form 1329.

14.4 Payroll Deductions

14.4.1. Order of Precedence for Deductions

Deductions from pay for the education benefits program are governed by the order of precedence for deductions from gross pay. The order of precedence is used when the gross entitlement payment is not sufficient to permit all deductions to be made. The order of precedence is in Volume 7.

14.4.2. Participation Election Criteria

When an individual enters active duty as a member of the Armed Forces, participation in the education benefits program is automatic, unless the service member makes an election not to enroll for education benefits using DD Form 2366, Montgomery GI Bill Act of 1984 Basic Enrollment. Once enrolled in the program, a reduction of the service member’s pay becomes mandatory \$100 per month for a total of \$1,200. The deduction is considered an “Indebtedness Due to the United States.” Therefore, it ranks ahead of state income taxes and all other deductions of lower precedence. Within the “Indebtedness” category, it takes precedence over any debts due to the DoW since the reduction is deposited to a civil agency account.

14.4.3. Member of the Selected Reserve

The SecWar will recoup \$1,200 from Selected Reserve members within one year of completing their two-year active duty service obligation, which forms the basis for this entitlement. This recoupment may be achieved through basic pay deductions or other appropriate methods by the Secretary of War.

14.5 Refunds or Erroneous Deductions From Active-Duty Members

14.5.1. Current Year Deductions

If the refund takes place within the same fiscal year as the erroneous deduction was made, the payment to an active-duty member is charged to miscellaneous receipt account 36R2473. These transactions reduce the monthly deduction deposited to the miscellaneous receipt account 36R2472 and are reported to the DVA.

14.5.2. Prior Year Deductions

If the refund takes place after the close of the fiscal year in which the erroneous deduction was made, the payment to an active-duty member is made from Treasury appropriation 20X1807 – Refund of Monies Erroneously Received and Covered. Such payments are reported routinely on the Military Department's monthly Statement of Transactions. The Treasury Department is contacted by telephone if payments from 20X1807 in excess of \$100,000 are to be made in a given month. The report is provided to the Credit and Debt Management Branch, Financial Management Service at Treasury.

14.6 Collection of Educational Debts Owed To The Government By Selected Reserve

14.6.1. Selected Reserve Participation Refunds

Members of the Selected Reserve receiving educational assistance benefits under 10 U.S.C. Chapter 1606, and who fail to participate satisfactorily in required reserve training, may be required to refund an amount to the United States. This amount is calculated in accordance with the formula established at 10 U.S.C. 16135(b)(1).

14.6.2. Selected Reserve Participation Refund Calculation

The refund equals the product of the following:

14.6.2.1. The number of months of obligated service remaining under the agreement entered into by the reservist, divided by the original number of months of the original contract.

14.6.2.2. The total amount of educational assistance provided to the reservist increased by interest equal to the highest rate being paid by the Treasury on securities having a maturity of 90 days or less on the day on which the refund is determined to be due. The interest accrues from the day on which the reservist is first notified of the amount due to the U.S. Government as a refund.

14.6.3. Selected Reserve Data Collection Requirements

Each Military Department maintains data on Selected Reserve members who are:

14.6.3.1. Eligible for educational assistance.

14.6.3.2. Fail to participate satisfactorily.

14.6.3.3. Not excused from the responsibility to refund overpayments received under the Selected Reserve educational assistance program.

14.6.4. Collection of Debts Owed

Refer to Volume 16, for policy on debt collection if a member (or retiree) does not fulfill the education obligation, and it is determined they owe a debt to the DoW.

15.0 MILITARY PERSONNEL ENTITLEMENT PROGRAMS

15.1 General Accounting Policy For Entitlement Programs

Refer to the Volume 12 Policy.

15.2 Military Retirement Fund (MRF)

15.2.8. Accounting Policy For The Accrual And Investment Of MRF

15.2.8.1. MRF Assets

In accordance with 10 U.S.C. §1462, “Assets of Fund,” the following deposits are made into the DoW MRF, which constitute the assets of MRF:

15.2.8.1.1. Amounts paid into the MRF from the “Military Personnel, Reserve Personnel and National Guard Personnel” appropriations representing future retirement and survivor benefits being accrued by members performing current service.

15.2.8.1.2. Amounts paid into the MRF from the U.S. Department of the Treasury (Treasury) as an unfunded liability and Concurrent Receipt normal cost payment.

15.2.8.1.3. Interest earnings on investments in government securities made by the Treasury and the payment of the par values of these securities at maturity.

15.2.8.2. Unfunded MRF Liabilities

Determinations of funding contribution amounts for the current portion of retired military benefits and amounts required to liquidate the unfunded portion of the MRF are as follows:

15.2.8.2.1. Amounts necessary to fund present and future benefits payable to military retirees and their survivors must be based on actuarial funding determinations by the DoW DoW Office of the Actuary (OACT), using methods and economic assumptions (including the inflation, interest, and salary rates) approved by the DoW Board of Actuaries and in accordance with 10 U.S.C § 1465. DoW Components must include sufficient funds to be transferred to the MRF, as determined by the DoW OACT, in their Military Personnel (MILPERS) appropriation budgets.

15.2.8.2.2. The annual amount required to liquidate the unfunded liability of the MRF must be calculated by the DoW OACT, in accordance with methods and assumptions approved by the DoW Board of Actuaries.

15.2.8.2.3. Amounts to be transferred to the MRF for retired pay accrual must be obligated by the DoW Components at the same time military retired pay is obligated, as required in Volume 4.

15.2.8.2.4. Entitlements for former spouse payments from military retired pay and survivor benefits annuities are described in Volume 7B, Chapter 29. Payments of authorized and accrued benefits must be made from the MRF, a trust fund established under Public Law 98-94, in accordance with 10 U.S.C. § 1463.

15.2.8.2.5. Calculations of funding amounts for the current portion of retired military benefits must be performed centrally by the Military Departments for Active, Reserve, and National Guard military personnel. The calculations must employ retired military pay accrual percentages published annually by the Office of the Secretary of War (OSW) and must be applied to the total base pay amount calculated. The term "base pay" means outlays for basic pay.

15.2.8.3. Investment of MRF Cash Balances

The Investment Fund Manager, DFAS, is responsible for investing cash balances of the MRF not needed to cover current retirement payments. Investments are limited to Market-Based U.S. Government Special Securities issued by the Treasury (see 10 U.S.C. § 1467).

15.2.8.4. Calculation of Retired Pay Benefits

Retired pay benefits must be calculated and paid by DFAS.

15.2.8.5. Reimbursements of Retired Military Pay

All reimbursements made to DoW Components in accordance with the guidance contained in Volume 11, for retired military pay must be credited to the applicable MILPERS appropriation account. The annual reimbursable rates are also available online at the OUSW(C) public website under the "Quick Links" section; select the "DoW Reimbursable Rates."

15.2.8.6. Accounting for MRF Obligations and Accruals

Using DoW Board of Actuarial approved relevant actuarially percentages for obligations and accruals, military pay active duty accounts and Reserve and National Guard personnel accounts must be accounted for as follows:

15.2.8.6.1. Amounts equating to an actuarially determined percentage of basic pay must be obligated each month for subsequent payment to the MRF.

15.2.8.6.2. Accounting for the direct program must be at the budget sub-activity level prescribed in Volume 2. Accounting for the reimbursable program may use a simplified structure to include basic pay, retired pay accrual, and other.

15.2.8.6.3. The amount accrued for retired pay must be obligated each month. At the end of the month, amounts obligated for retired pay accrual must be disbursed. If information on the total entitlement and total expenditures is not available at the end of the month, estimates may be used and appropriate adjustments made when the actual amounts become known.

15.2.8.6.4. Release of funds must be consistent with budgetary authority. An undelivered order entry must be made at the beginning of each month to accrue the estimated MRF obligations to the members. Before the end of each month, the actual obligations must be recorded and an accrued expenditure (paid or unpaid, as applicable) established. The corresponding disbursement of funds must agree with the reported outlay and amount obligated.

15.2.8.6.5. All military pay accounting systems must provide for the recording of obligations for basic pay separate from other kinds of pay and allowances. However, the liquidation of obligations for pay and allowances may be on a gross basis. If the actual amount of basic pay disbursed is not known at the end of the month, an estimated retired pay obligation to be liquidated and disbursed to the MRF may be developed by a formula such as: multiplying the estimated basic pay by the retired pay accrual percentage (provided by the DoW OACT).

15.2.8.6.6. The Military Departments must also obligate and disburse amounts calculated for the retired pay accrual in the applicable military pay for Active, Reserve, and National Guard accounts; and disbursements for retired pay benefits accruals must be deposited, via the Intra-Governmental Payment and Collection (IPAC) system, at the end of each month to trust fund receipt account 097X8097.001, "Employing Agency Contribution, Department of War Military Retirement Fund." The associated disbursement and collection transactions must be supported using a Standard Form (SF) 1081, "Voucher and Schedule of Withdrawals and Credits." The SF 1081 must be properly certified prior to submission to the DFAS Trust Fund Accounting and Reporting (TFAR) division. The disbursing officer making the payment also must process the collection, forward a copy of the completed SF 1081 to DFAS TFAR, and report both the disbursement and collection transactions on the monthly SF 1220, "Statement of Transactions (According to Appropriations, Funds, and Receipt Accounts)." The DFAS copy of the SF 1081, with all supporting documentation, must be transmitted electronically, immediately upon completion of the transactions, so that the deposit may be recorded in the MRF as soon as possible and the funds invested.

15.2.8.7. Accounting for MRF Appropriations.

The permanent indefinite appropriations, 097_0040, "Payments to Military Retirement Fund, Defense," and 097_0041, "Concurrent Receipt Accrual Payments to the Military Retirement Fund, Defense," are accounted for as follows:

15.2.8.7.1. At least 3 weeks before the end of the fiscal year, the Secretary of War must provide the Secretary of the Treasury with a certification of the amounts, as determined using methods and assumptions approved by the DoW Board of Actuaries that should be deposited to these accounts for the ensuing fiscal year. The certification must include the amounts needed to

fund the amortization of the original unfunded liability for military retirement, any other unfunded liability resulting from benefit structure changes and actuarial gains or losses, and the portion of the accrual charge to be funded by the Treasury. A copy of the certification must be sent directly to:

Department of the Treasury
Bureau of the Fiscal Service
Budget Reports Division
3201 Pennsy Drive, Building E
Landover, MD 20785-1603

15.2.8.7.2. Upon receipt of the certification, the Treasury provides the Fiscal Service (FS) Form 6200, "Department of the Treasury Appropriation Warrant," for the amount certified. The Warrant must be dated October 1 and provided to DFAS on or before that date so that the funds are available for immediate investment in the new fiscal year.

15.2.8.7.3. On October 1, DFAS is required to: (1) record the FS Form 6200 to 097_0040, "Payments to Military Retirement Fund, Defense;" (2) disburse the entire amount from 097_0040, and (3) deposit it to trust fund receipt account 097X8097.003, "Federal Contribution, Department of Defense Military Retirement Fund."

15.2.8.7.4. The DoD MRF is classified as a trust fund and makes use of both receipt and expenditure accounts since it is not designed as a trust revolving fund.

15.2.8.7.4.1. Deposits are made to the following trust fund receipt accounts as applicable:

15.2.8.7.4.1.1. 097X8097.001, "Employing Agency Contribution, Department of Defense Military Retirement Fund." Payments from DoW Military Departments for accrual of future retired pay benefits and transfers of deposits made by Judges of the U.S. Court of Military Appeals, including interest, from 024X8135, "Civil Service Retirement and Disability Fund, Office of Personnel Management," and the payment from the indefinite appropriation for the normal costs contribution, 097_0041, "Concurrent Receipt Accrual Payments to the Military Retirement Fund, Defense."

15.2.8.7.4.1.2. 097X8097.002, "Earnings on Investments, Department of Defense Military Retirement Fund." Payment of interest by Treasury on Fund investments in U.S. securities.

15.2.8.7.4.1.3. 097X8097.003, "Federal Contribution, Department of War Military Retirement Fund." Payments from the permanent indefinite appropriation for the unfunded liability, 097_0040, "Payments to Military Retirement Fund, Defense".

15.2.8.7.4.1.4. 097X8097, "Disbursements-Unamortized Premium and Discount, Department of Defense Military Retirement Fund." Purchase of premium, interest, and discount.

15.2.8.7.4.1.5. 097X8097, “Receipts-Unamortized Premium and Discount, Department of Defense Military Retirement Fund.” Write-off and amortization of premium and discount and collection of interest purchased.

15.2.8.7.4.2. The Treasury account symbol for the trust fund expenditure account is 097X8097. Amounts deposited to the receipt accounts identified in subparagraph 4.8.4.1 are available immediately to the trust fund expenditure account for investment or payment of retired pay benefits.

15.2.8.7.4.2.1. Account 097X8097 must incorporate the same budget activity structure as the account “Retired Pay, Defense.” Accounting must be at least at the budget activity level, and lower level accounts must be established as necessary to meet reporting requirements.

15.2.8.7.4.2.2. Since account 097X8097 is an OSW account, DFAS is responsible for its overall accounting and reporting.

15.2.8.7.4.2.3. Acting for the Secretary of War, DFAS must allocate a portion of 097X8097 to each Military Department in order to fund payments of retirement benefits.

15.2.8.7.4.2.4. Annuity payments to retired Judges of the U.S. Court of Military Appeals must be charged to 097X8097.

15.2.8.8.1. DoW Components must report in their Statement of Operations the amount of Federal contributions (including accrued amounts), if any, made to the pension plans(s) on behalf of their employees. The agency contribution must not include amounts withheld from employee's compensation for submission to the plan(s).

15.2.8.8.2. DoW Components, which administer programs that provide annuity benefits to eligible participants must recognize, for reporting purposes, an actuarial (accrued) liability for the program. Determination of the liability must be in accordance with applicable Federal Accounting Standards Advisory Board standards (e.g., Statement of Federal Financial Accounting Standards (SFFAS) 5 and SFFAS 33).

15.2.8.8.2.1. For the year in which the actuarial (accrued) liability is first recorded, the initial amount of the liability must be reported as an accounting change, i.e., a charge to equity and an accrued liability. Thereafter, changes in the liability each year must be charged or credited to expense.

15.2.8.8.2.2. Footnotes to the financial statements must disclose the nature and amount of required agency contributions, if any. The footnotes also must disclose the agency responsible for reporting the pension plan’s unfunded liability.

15.2.8.8.2.3. Financial information for pension plans must be reported in the annual financial statements of administering agencies.

15.2.8.8.2.4. The notes to the financial statements must include a description of the methods and significant assumptions used in computing the actuarial present value of future program benefits. Additionally, if the actuarial liability computed in accordance with these standards is different from the actuarial liability computed for funding purposes, the footnotes must include an adequate explanation of the basis for any significant differences between the two liabilities.

15.2.8.8.3. DFAS is responsible for preparing MRF reports in accordance with Volume 6.

15.2.8.8.3.1. SF 133, Report on Budget Execution and Budgetary Resources. DFAS must submit the SF 133 for all MRF expenditure accounts.

15.2.8.8.3.2. ACCT RPT (M) 1002, Appropriation Status by Fiscal Year Program and Subaccounts. DFAS must submit this report for the MRF expenditure account prepared in accordance with Volume 6.

15.2.8.8.3.3. Other Reports. DFAS must follow the instructions in Volume 6 as applicable. In addition, the Military Departments must comply with the monthly reporting requirements contained in Volume 6.

15.2.8.8.4. Status of Funds. The DFAS must prepare a Status of Funds and forward it to the Deputy Comptroller, Program/Budget, on the fifteenth workday of the following month. The DFAS must report actual data for current fiscal year through the previous fiscal month.

15.3 Accounting Procedures For The Accrual, Investment, and Transfers of MERHCF

15.3.1. General Accounting Procedures

Refer to this document for all procedural guidance related to the accrual, investment, and distribution of MERHCF funds.

15.3.2. Proponent and Stakeholder Procedures

This section details the specific operational procedures to be carried out by various DoW components in the management of MERHCF.

15.3.2.1. Director, Defense Health Agency (DHA).

15.3.2.1.1. Develop and implement the methods for calculating amounts to be distributed from MERHCF for the actual and projected costs of purchased and direct healthcare.

15.3.2.1.2. Before implementing changes to calculation methods, coordinate with the Chief Actuary, DoW OACT, to determine any resulting actuarial impacts to the fund.

15.3.2.1.3. For the direct care prospective payment, conduct a quarterly execution review in coordination with the Under Secretary of War (Comptroller) and the Military Departments to compare projected costs to actual workload-based earnings. As part of this review, provide MTF-level feedback on workload status and associated fund payments.

15.3.2.1.4. Coordinate with ASD(HA), USW(C), Director DFAS, and DoW OACT to:

15.3.2.1.4.1. Establish or update accounting policies and financial management processes.

15.3.2.1.4.2. Review and approve amounts and disclosures for federal financial statement reports.

15.3.2.1.4.3. Review and update the MERHCF Financial Management Committee charter, as needed.

15.3.2.1.4.4. Support annual independent financial audits and other operational audits.

15.3.2.2. Chief Actuary, DoW OACT.

15.3.2.2.1. Using methods and assumptions approved by the MERHCF Board, provide the National Security Division of OMB and OUSW(C) with:

15.3.2.2.1.1. Annual estimates of per capita normal cost rates and total annual normal cost contribution amounts for the upcoming fiscal year.

15.3.2.2.1.2. Preliminary estimates of the same for the succeeding fiscal year.

15.3.2.2.2. Using methods and assumptions approved by the MERHCF Board, calculate and provide the USW(C) with the annual amounts due from the Secretary of the Treasury for the unfunded actuarial liability amortization payment and the total normal cost contribution.

15.3.2.2.3. Provide an annual estimate of per capita normal cost rates to the participating uniformed services (USCG, PHS, NOAA).

15.3.2.2.4. Notify all relevant stakeholders (ASW(HA), Director DHA, USW(C), Military Departments, Uniformed Services, Director DFAS) of all public meetings and decisions made by the MERHCF Board.

15.3.2.3. Director, DFAS.

15.3.2.3.1. Manage MERHCF investments in accordance with 10 U.S.C § 1117.

15.3.2.3.2. Establish and maintain all necessary accounts for MERHCF.

15.3.2.3.3. Incorporate the accounting process for MERHCF contributions and outlays into the Planning, Programming, Budgeting, and Execution (PPBE) System.

15.3.2.4. Secretaries of the Military Departments.

15.3.2.4.1. Upon request, provide current and projected personnel end strength and average strength data to the DoW OACT and USW(C).

15.3.2.4.2. Conduct all necessary fund transfers, accounting, and reconciliation for MERHCF operations.

15.3.2.5. Administering Secretaries for Participating Uniformed Services (USCG, PHS, NOAA).

15.3.2.5.1. Using the per capita normal cost rates from DoW OACT, calculate the normal cost contribution amounts based on current personnel strength data.

15.3.2.5.2. Coordinate with USW(C) to transfer the calculated normal cost contributions to MERHCF.

15.3.2.5.3. Provide the basis for the calculation (the data and math) to the DoW OACT, USW(C), and Director, DFAS.

15.3.2.5.4. Upon request, provide current and projected personnel end strength, average strength, and retiree strength data to the DoW OACT and USW(C).

15.3.3. Financial Reporting Procedures

15.3.3.1. Annual Certification and Apportionment.

15.3.3.1.1. Certification Letter. Prior to the beginning of each fiscal year, the Secretary of War issues a letter certifying the amortization payment and the normal cost contributions. This letter requests the Treasury to issue warrants to the appropriate MERHCF accounts at the start of the fiscal year.

15.3.3.1.2. Letter Distribution. A copy of the certification letter must be sent to:

Department of the Treasury
Bureau of the Fiscal Service – Budget Reports Division
3201 Pennsy Drive, Building E
Landover, MD 20785-1603

15.3.3.1.3. Apportionment. The OUSW(C) submits an apportionment request to OMB for the eleven MERHCF contribution accounts, which correspond to the eleven military and uniformed service personnel accounts.

15.3.3.2. Accounting for Amortization of the Unfunded Actuarial Liability.

15.3.3.2.1. Upon receiving the certification, Treasury provides DFAS with an FS Form 6200 for the amortization amount, dated October 1.

15.3.3.2.2. On October 1, DFAS records the FS Form 6200, transfers the full amount from 097X0850, and deposits it into special fund receipt account 097X5472.003.

15.3.3.2.3. DFAS then notifies the DoW OACT, USW(C), and the Director, DHA that the deposit has been made.

15.3.3.3. Accounting for Military Pay Contributions.

15.3.3.3.1. On the first duty day of October, Treasury issues warrants to the eleven Military Pay accounts.

15.3.3.3.2. The Military Services must pre-coordinate payments with the DFAS Trust Fund Accounting and Reporting (TFAR) branch before warrants are issued.

15.3.3.3.3. The Military Services prepare an SF 1081 to transmit payment, using the amounts certified by the Deputy SecWar.

15.3.3.3.4. DFAS processes the SF 1081 via IPAC to deposit these amounts into MERHCF receipt account 097X5472.001.

15.3.3.4. Accounting for Other Uniformed Services Contributions.

15.3.3.4.1. The normal cost contribution payments for participating uniformed services shall be computed and deposited in a manner similar to the Military Services.

15.3.3.4.2. Payments shall be made at the beginning of the fiscal year to Agency Location Code (ALC) 97200010 through the IPAC system.

15.3.3.4.3. DFAS credits the special fund account 097X5472.001. Documentation supporting the deposit must be sent electronically to DFAS before or immediately upon the transaction.

15.3.4. Outlay and Expense Accounting Procedures

15.3.4.1. Procedures for Purchased Care Expenses.

15.3.4.1.1. Estimate Submission. At least one month prior to the fiscal year, the DHA TRICARE Program Resource Management (DHA-TPRM) (DHA-TPRM) provides an estimated annual expense program to DFAS and the Director, DHA.

15.3.4.1.2. Funding Authorization. A Funding Authorization Document (FAD) is issued to DHA-TPRM for MERHCF funding based on the approved distribution plan.

15.3.4.1.3. Contract Modification. DHA-TPRM uses this funding for contract modifications for administrative payments and pass-through costs for healthcare and pharmacy claims.

15.3.4.1.3.1. The TRICARE Medicare Eligible Program (TMEP), TRICARE Overseas Program (TOP), and TRICARE Pharmacy Program (TPHARM – Mail Order and Retail) contracts process individual healthcare claims and administrative costs including per claim administrative payments and monthly costs. The TMEP contracts utilize TRICARE Encounter Data (TED) to process healthcare and pharmacy claims as well as the claim rate associated with the claims.

15.3.4.1.3.2. Marketing and Education contracts support the healthcare and pharmacy contracts with marketing and educational materials. Modifications to the contracts are done at least once a year to initiate a new option period.

15.3.4.1.4. Claim Validation. Validation of claims processed against the MERHCF involves a series of edits within the TED system and DHA-TPRM's accounting system to ensure that only costs attributable to Medicare-eligible beneficiaries are funded appropriately. Contract modifications are only processed when MERHCF funding is available on the FAD, and payments are reconciled against this funding upon disbursement. In coordination with DFAS, DHA-TPRM reports estimated payments and collections made through Treasury systems using MERHCF funds, with monthly reconciliations submitted to DFAS. Additionally, DHA-TPRM provides monthly reports detailing open accounts payable and receivable involving MERHCF funds for federal financial statement purposes.

15.3.4.1.5. Reporting:

15.3.4.1.5.1. DHA-TPRM reports estimated payments and collections to DFAS as needed.

15.3.4.1.5.2. At month-end, DHA-TPRM reports a final reconciliation of all payments and collections to DFAS.

15.3.4.1.5.3. At month-end, DHA-TPRM reports the amounts of open accounts payable and receivable for financial statement reporting.

15.3.4.2. Procedures for Direct Care Expenses.

15.3.4.2.1. DHP O&M Distributions. On the first workday of each quarter, DFAS deposits funds from MERHCF account 097X5472 to the DHP account 097 CY 0130. DFAS sends copies of the SF 1081 to the appropriate OUSW(C) Directorate, which then distributes the funds to DHA via a FAD.

15.3.4.2.2. MILPERS Reimbursements. On the first workday of each quarter, DFAS processes reimbursements via IPAC to the Army, Navy, and Air Force MILPERS accounts. Copies of the SF 1081 are sent to the appropriate OUSW(C) Directorates and DFAS sites.

15.3.4.3. Procedures for Direct Care Annual Prospective Payment Development.

15.3.4.3.1. Distribution Plan. Annually, DHA develops prospective payment amounts and provides a distribution plan to DFAS approximately one month prior to the start of the fiscal year. This plan contains quarterly payment amounts, by MTF.

15.3.4.3.1.1. Expense Allocation. The calculation is based on expense data from the Medical Expense and Performance Reporting System (MEPRS) and Pharmacy Data Transaction Service (PDTS) from the most recent complete fiscal year.

15.3.4.3.1.2. Workload Rate Development. DHA develops MTF-specific rates for inpatient care, outpatient care, and outpatient pharmacy, separated into MILPERS and DHP O&M components. The data sources for this are the Military Health System Data Repository (MDR) and Pharmacy Data Transaction Service (PDTS). The MTF-specific rates are inflated to the coming fiscal year's equivalent using standard OSW/OMB inflation rates.

15.3.4.3.2. Data Management Controls:

15.3.4.3.2.1. MEPRS and patient encounter records must be prepared and validated per DoD 6010.13 and DoDI 6040.40.

15.3.4.3.2.2. Patient eligibility for each encounter must be verified using the Defense Enrollment Eligibility Reporting System (DEERS).

15.3.4.3.3. Execution Reviews:

15.3.4.3.3.1. Quarterly, DHA conducts an execution review comparing prospective payment amounts distributed to the actual current year workload earning. This quarterly reconciliation supports MERHCF expenses and DHA revenue reported on the Statement of Net Cost.

15.3.4.3.4. Handling Variance Reconciliation in Direct Care.

This section outlines the procedure for reconciling variances between the annual prospective payments transferred from the MERHCF for Direct Care, and the actual cost of care determined by the post-fiscal year Execution Review. This procedure is executed in accordance with 10 U.S.C. § 1113.

15.3.4.3.4.1. Discretionary Recapture. 10 U.S.C. § 1113(c)(1) grants the Secretary of War the discretion to transfer funds back to the MERHCF upon a determination that they were not necessary for the purpose for which they were originally transferred. The decision not to execute this transfer is the basis for handling variances where actual costs are lower than the prospective payment.

15.3.4.3.4.2. Time Limitation. Any transfer of excess funds back to the MERHCF must be executed no later than the end of the second fiscal year after the fiscal year for which the appropriation was available for obligation, as stipulated in § 1113(c)(2). For example, funds transferred in FY 2025 would need to be returned no later than 30 Sep 2027 (the end of the second FY after the obligation period).

15.3.4.3.4.3. Variance Tolerance Band. The reconciliation process is governed by a 10% variance threshold, applied as follows.

15.3.4.3.4.4. Variance Within the 10% Tolerance Band. If the post-execution review determines the variance between the prospective payment and the actual cost of care is within a 10% threshold (+/-), the variance is mutually waived.

When Actual Costs are Higher: No additional payment will be due from the MERHCF.

When Actual Costs are Lower: The Secretary of War will not exercise the discretionary authority to transfer the excess funds back to the MERHCF. No refund is processed.

Example. The prospective payment is \$240 million. If actual costs are between \$216 million (-10%) and \$264 million (+10%), the difference is waived and no further financial action is taken for that fiscal year.

15.3.4.3.4.5. Variance Exceeding the 10% Threshold. If the actual cost of care results in a variance greater than the 10% threshold, only the amount of the variance that exceeds the 10% band will be reconciled by adjusting the next fiscal year's prospective payment. The portion of the variance that falls within the 10% band is waived. When Actual Costs are Higher (Positive Variance). The amount to be added to the next year's payment is the Actual Cost minus the Upper 10% Limit of the corridor.

Example A (Actual Costs are Lower):

Prospective Payment (FY21): \$2 billion (B)

Tolerance Band: $\$2B \times 10\% = \200 million (M)

Actual Cost (FY21): \$1.74B

Total Variance: $\$2B - \$1.74B = \$260M$

Percentage Variance: $(\$260M \div \$2B) = 13\%$. This exceeds the 10% tolerance band threshold.

Adjustment Calculation: The amount to adjust is the total variance (\$260M) minus the 10% tolerance band (\$200M), which equals \$60 million.

Action: Decrease the next FY's prospective payment distribution by \$60M.

Example B (Actual Costs are Higher): The amount to be added to a future payment is the Actual Cost minus the Upper 10% Limit.

Prospective Payment: \$2B

Tolerance Band: $\$2B \times 10\% = \$200M$

Actual Cost: \$2.26B

Total Variance: $\$2.26B - \$2B = \$260M$

Percentage Variance: $(\$260M \div \$2B) = 13\%$. This exceeds the 10% threshold.

Adjustment Calculation: The amount to adjust is the total variance (\$260M) minus the 10% tolerance band (\$200M), which equals \$60 million.

Action: The next FY's prospective payment distribution will be increased by \$60 million.

15.3.4.3.4.6. Method of Reconciliation. When a reconciliation is required for a variance exceeding the 10% threshold, the financial settlement for the amount of the

variance in excess of the 10% band may be executed via one of two methods, as determined by the stakeholders during the reconciliation process:

Method 1 (Direct Refund or Payment): A direct transfer of funds is processed for the portion of the variance that exceeds the 10% threshold. When this method is used, no adjustment is made to future prospective payments for that specific variance, as the financial reconciliation is completed with the transfer.

Historical Precedent. The FY21 overpayment reconciliation serves as a key example. In that instance, a -13% variance resulted in an excess of 3% over the -10% threshold. This 3% excess equated to a calculated refund of \$60 million. As documented, a direct refund of this \$60 million was requested, settling the matter for that fiscal year.

Method 2 (Adjustment to the Next Prospective Payment): This method involves adjusting the amount of the subsequent FY's prospective payment distribution by the portion of the variance that exceeds the 10% threshold. When this method is used, no separate cash refund or payment is processed.

If actual costs were lower, the calculated amount over the threshold is subtracted from the next FY's payment.

If actual costs were higher, the calculated amount over the threshold is added to the next FY's payment.

15.3.5. Reporting Requirements

15.3.5.1. SF 133. DFAS must submit a monthly SF 133, Report on Budget Execution and Budgetary Resources, that includes all MERHCF accounts.

15.3.5.1.1. Status of Funds. On the 15th workday of each month, DFAS must prepare and forward a Status of Funds report to the Deputy Comptroller, Program/Budget, showing actual data through the previous fiscal month.

15.3.5.2. Federal Financial Statements. DFAS must prepare all MERHCF financial statements as required by OMB Circular A-136.

15.3.5.3. Direct Care Expenses. Direct Care expenses will be reported as operating expenses on the MERHCF Statement of Net Cost (SNC). Meanwhile, DHP will have corresponding revenue reported on its SNC.

15.4 Voluntary Separation Incentive Fund

Additional guidance on amortization payments, investment workflows, and reporting requirements is contained in the Volume 7 Military Pay Policy.

16.0 DOW REWARDS PROGRAM**16.1 Responsibilities****16.1.1. Under Secretary of War (Comptroller)/Chief Financial Officer (USW(C)/CFO)**

16.1.1.1. Oversees development of justification materials for the DoWRP in the President's Budget.

16.1.1.2. Allocates DoWRP funds as part of the Under Secretary of War (Policy) (USW(P)) budget to the Director, Washington Headquarters Service.

16.1.1.3. Oversees execution of DoWRP funds as part of the USW(P) budget.

16.1.1.4. Coordinates DoWRP appropriations-related engagements with the Senate Appropriations Committee – Defense, House Appropriations Committee – Defense, and other congressional staff members, Members of Congress, or committees, as required.

16.1.1.5. Coordinates on the DoWRP Annual Report.

16.1.2. Office of the USW(P), Assistant Secretary of War for Special Operations and Low Intensity Conflict (ASW SO/LIC)

16.1.2.1. Implements policy for the DoWRP.

16.1.2.2. Approves allocation of DoWRP funds to combatant commanders (CCDRs).

16.1.2.3. Maintains a single consolidated SecWar pre-approved rewards list. This list will include the identity, nominating headquarters or office, the amount approved, and other relevant data. CCDRs may nominate individuals or items to be placed on the pre-approved rewards list through the Director, Joint Staff.

16.1.2.4. Coordinates the SecWar pre-approved rewards list with the Department of State (DOS) and the Department of Justice (DOJ) to ensure that a reward does not duplicate or interfere with the payment of reward authorized by those Departments.

16.1.3. Geographic Combatant Commander

16.1.3.1. Designates, in writing, a program liaison officer to serve as the point of contact for all disbursement of funds, goods, or services;

16.1.3.2. Establishes procedures for the accounting, obligating, cash management, and disbursement of funds;

16.1.3.3. Establishes procedures and processes to coordinate notification of awards with appropriate representatives of the DOS and the DOJ to ensure the making of a reward does not duplicate or interfere with the payment of a reward authorized by those Departments.

16.1.3.4. Establishes internal controls and review procedures for classified voucher processing when required and in accordance with Volume 5.

16.1.3.5. Provides a copy of commander-approved lists to the Director, Joint Staff as updates occur.

16.1.3.6. Submits estimated Rewards Program budget requirement for the upcoming fiscal year on August 15 of the current fiscal year.

16.1.3.7. Reports annually to the Director, Joint Staff, no later than October 15 of each year for the preceding fiscal year.

16.1.3.8. Requests additional funds from ASW SO/LIC if all available funds for these purposes have been expended and additional funds are required.

16.1.4. Director, Joint Staff

16.1.4.1. Advises the SecWar on the DoWRP.

16.1.4.2. Coordinates on the DoWRP Annual Report.

16.1.4.3. Appoints the Joint Staff DoWRP Monitor and may, as necessary, appoint one or more Joint Staff DoWRP Assistant Monitors.

16.1.5. Washington Headquarters Service

16.1.5.1. Receives DoWRP funds from the USW(C)/CFO, as part of the USW(P) budget.

16.1.5.2. Allocates DoWRP funds to CCDRs upon approval of the ASW(SO/LIC).

16.2 Implementing The Program In The Field

16.2.1. Rewardable Information

16.2.2. Payment Approval Amounts

Table 16-1. DoWRP Fund-Approving Officials: Reward Offers and Reward Payments

DoWRP Fund-Approving Official	Approval Level	Remarks
SecWar or DepSecWar	Up to \$5,000,000	For rewards more than \$2,000,000, must coordinate with the Secretary of State in all instances and the Attorney General in law enforcement-related instances before approving.
USW(P)	Up to \$2,000,000	May not be further delegated.
CCDR	Up to \$1,000,000	
Deputy CCDR	Up to \$1,000,000	Upon delegation by CCDR. May not be further delegated.
Directly Subordinate CCDR	Up to \$100,000	Upon delegation by CCDR. May not be further delegated.
	More than \$100,000 and up to \$1,000,000	Upon approval of USW(P) and delegation by CCDR. May not be further delegated.
TRO	Up to \$10,000	In accordance with CCRP guidance. May not be further delegated.

16.2.3. Geographic Combatant Commanders' Nominations for Reward Lists

Geographic combatant commanders can propose individuals or items for the SecWar pre-approved rewards list if the reward amount exceeds their authority. Nominations are submitted to ASW SO/LIC via the Director, Joint Staff. ASW SO/LIC will coordinate with DOS and DOJ to avoid duplication or interference with other authorized rewards, then forward them to the SecWar or DepSecWar for approval. ASW SO/LIC will maintain a consolidated list including the identity, nominating headquarters or office, approved amount, and other relevant information.

16.2.4. Geographic Combatant Commander Approvals

A geographic combatant commander has the authority to approve rewards up to \$1,000,000 per reward. Geographic combatant commanders must also provide immediate written notification to ASW SO/LIC when they approve or pre-approve awards and payments of \$100,000 or more.

16.2.5. Geographic Combatant Commander's Pre-Approved Rewards List

The geographic combatant commander may provide a list of pre-approved rewards for information or assistance pertaining to specific individuals or items. Pre-approving these rewards ensures that field forces can promptly compensate informants for valuable information or assistance, with the combatant commander's prior authorization indicated in the pre-approved list. Copies of these lists, along with any updates, will be provided by the geographic combatant commanders to the Director, Joint Staff.

16.2.6. Deputy Geographic Combatant Commander Approvals

A geographic combatant commander can delegate their authority to approve or pre-approve rewards to the deputy commander. Additionally, this authority can be delegated to the commander of a direct subordinate command, with approval from the SecWar or DepSecWar.

16.2.7. TRO Approvals

A geographic combatant commander can delegate approval of rewards up to \$10,000 to subordinate U.S. Service members or civilian employees by appointing TROs. These appointments must be documented in writing, specifying the reward authority's scope, limitations, and accounting procedures. Geographic combatant commanders will also provide guidelines and criteria for TROs to evaluate whether information or assistance qualifies for a reward, including type and amount.

16.2.8. TRO Certifies Reward Parameters are Met

When issuing a list of pre-approved rewards to field forces, geographic combatant commanders must set up procedures and designate responsibility for certifying that the information or assistance received meets the approval criteria. This certification responsibility can be assigned regardless of the delegation limits on reward approval authority based on monetary value. Only U.S. TROs are permitted to fulfill this role.

16.2.9. Types of Reward Payments and Other Acceptable Uses of Funds

Rewards can be disbursed in cash, either U.S. dollars or foreign currency. TROs may also authorize non-cash rewards, such as food, local amenities, necessities, or communal rewards. Aside from the rewards outlined in Table 16-1, DoWRP funds are authorized to cover overhead costs directly tied to the program's operations. These funds can be allocated for advertising reward offers, travel expenses, and administrative costs associated with running the program. Approval thresholds for these overhead costs, before delegation, are detailed in Table 16-2.

Table 16-2. DoWRP Fund-Approving Officials: Advertising, Travel, and Administration

DoWRP Fund-Approving Official	Approval Level	Remarks
SecWar or DepSecWar	Up to \$5,000,000	
USW(P)	Up to \$2,000,000	May be delegated, in whole or in part, to any member of U.S. forces (excluding contractors) within the Office of the USW(P) and may be further delegated.
CCDR	Up to \$1,000,000	May be delegated, in whole or in part, to any member of U.S. forces (excluding contractors) and may be further delegated in accordance with CCRP guidance.

16.2.10. Payments Made by Designated Disbursing Officers/Paying Agents

After a TRO has approved or certified a reward, that officer will inform the program liaison officer, or an appointed disbursing officer or paying agent as per Volume 5, who will proceed to make the authorized payment.

16.2.11. Coordination with DOS and DOJ

The procedures of the geographic combatant commander will include a process to coordinate with relevant country team representatives from the DOS and DOJ, ensuring that offering a reward does not duplicate or conflict with a reward authorized by those departments.

16.2.12. Requests for Additional Funds

Geographic combatant commanders can request additional funding from ASW SO/LIC if they have exhausted their allocated resources and need more. Each geographic combatant commander will submit their projected budget needs for the next fiscal year by August 15 of the current fiscal year.

16.3 PolicyRefer to FMR Volume 12.

16.4 Payments and Rewards Through Government Personnel Of Allied Forces

16.4.1. Execution of Rewards through Allied Government Personnel

16.4.2. Request for Payment of Reward

Allied government personnel will send reward payment requests to the geographic combatant commander's liaison officer or a TRO with delegated authority. That individual will decide if the information or assistance warrants a reward and determine its type and amount.

16.4.3. Appointment of Allied Government Personnel as Paying Agents

When feasible, reward payments to support allied forces will be distributed directly by U.S. personnel. If direct payment by U.S. personnel is not feasible, commanders may appoint allied personnel as paying agents for the DoWRP, even though Volume 5 requires paying agents to be U.S. Service Members or civilian U.S. Government employees. Commanders should follow the provisions of Volume 5 when appointing allied paying agents. Commanders and disbursing officers must evaluate the risks of using allied government personnel as paying agents. A paying agent acts on behalf of the disbursing officer, who remains accountable for public funds given to an allied paying agent. Commanders and disbursing officers must ensure effective internal controls to reduce the potential risks of fraud, waste, and mismanagement by allied personnel. All funds advanced to and returned from the allied paying agent must be documented on a DD Form 1081, according to Volume 5. After completing authorized payments, the paid vouchers, negotiable instruments, and any remaining funds should be returned to the disbursing officer with a properly completed DD Form 1081.

16.4.4. Allied Government Personnel Limitations

Funds will be advanced to an allied paying agent only after a specific reward has been approved for payment to an identified payee. Disbursing officers will advance funds to allied paying agents after reviewing the payment voucher for the rewards. All funds advanced to and returned from the allied paying agent will be documented on a DD Form 1081. Combatant commands are responsible for ensuring that all allied government personnel nominated by their subordinate commands to offer or make rewards are properly qualified and trained. They are also responsible for ensuring that these personnel perform their duties in accordance with DoW policy and procedures. Allied force government personnel participating in the reward program will have a designated U.S. liaison officer through whom they can request reward funds or in-kind items and validate the information or non-lethal support.

16.5 Information Dissemination

16.5.1. Information Dissemination

Media queries regarding the DoWRP will be referred to the Office of the Assistant Secretary of War for Public Affairs.

16.5.2. Program Identification and Combination with Other Programs

This program does not need to be identified as a U.S. or DoW program or display an official symbol. Geographic combatant commanders can coordinate with other U.S. Government Rewards Programs and are not required to distinguish this one from others if it does not duplicate or interfere with rewards authorized by the DOS or DOJ.

16.5.3. Advertisements

Geographic combatant commanders can spend funds to publicize the DoWRP and cover administrative costs. Advertisements may mention coalition or allied headquarters as offering the reward. U.S. commanders will maintain control and authorization of rewards within these headquarters. Geographic combatant commanders can also use theater information dissemination programs to support the DoWRP. Military Information Support Team (MIST) expertise should be used for effective advertising, with MIST funds available only if DoWRP funds are insufficient. Expenses for publicizing and administering the program must be documented in quarterly and annual reports, detailing the target audience, required funds, and objectives. Establishing call centers using DoWRP funding requires coordination and approval from the Director, Joint Staff, to ASW SO/LIC.

16.6 Reports and Notifications

16.6.1. Annual Report

16.6.1.1. Each report for a fiscal year under this subsection must include the following:

16.6.1.1.1. Information on the total amount expended during that fiscal year to carry out the Rewards Program under this section.

16.6.1.1.2. Specification of the amount, if any, expended during that fiscal year to publicize the availability of rewards under this section.

16.6.1.1.3. With respect to each reward provided during that fiscal year:

16.6.1.1.3.1. The amount or value of the reward and whether the reward was provided as a monetary payment or in some other form;

16.6.1.1.3.2. The recipient of the reward and the recipient's geographic location; and

16.6.1.1.3.3. A description of the information or assistance for which the reward was paid, together with an assessment of the significance and benefit of the information or assistance.

16.6.1.1.4. A description of the status of program implementation in each geographic combatant command, including in which countries the program is being operated.

16.6.1.1.5. A description of efforts to coordinate and de-conflict the authority under subsection (a) with similar Rewards Programs administered by the U.S. Government.

16.6.1.1.6. An assessment of the effectiveness of the program in meeting its objectives.

16.6.1.2. The SecWar may submit the report in classified form if the SecWar determines that it is necessary to do so.

16.6.2. Report on Designation of Countries for Which Rewards May Be Paid

16.6.2.1 Each report must include:

16.6.2.1.1 The designated country.

16.6.2.1.2. The reason and justification for the designation of the country.

16.6.2.1.3. An estimate of the amount or value of the rewards to be paid as monetary payment or payment-in-kind under this chapter.

17.0 FOOD SERVICE PROGRAM

17.1 Reimbursable Meal and Meal Service (Operating) Charges

17.1.1. Meal Rates

17.1.2. Meal Services Available

There are two types of meal service available to personnel authorized to use an appropriated dining facility on a reimbursable basis--traditional and a la carte.

17.1.2.1. Traditional Meal Service. Under the traditional meal service system, diners must pay either the DoW standard meal rate or the DoW discount meal rate (as prescribed by section 3.0), without regard to the menu items taken.

17.1.2.2. A la carte Meal Service. Under the a la carte meal service system, diners must pay either the DoW standard meal rate or the DoW discount meal rate (as prescribed by section 3.0), for the food items selected.

17.1.2.2.1. The Military Departments must ensure that a consistent and fair a la carte pricing policy is applied uniformly and consistent with guidance provided by the OUSW(C).

17.1.2.2.2. When using an “a la carte” menu, the price of each item on the menu must be established at 133 percent of the food cost (i.e., the cost of unprepared food multiplied by a factor of 1.33), rounded to the nearest five cents. However, price averaging of certain salads, vegetables, and other food categories is authorized (e.g., a salad bar with different types of salads or vegetables). Refer to OUSW(C) reimbursable rates website.

17.1.2.2.3. When the cost of food changes, the a la carte items must be repriced accordingly.

17.2 Meal Charges

17.2.1. Officers

17.2.1.1. Charge Required. DoW military officers are not authorized to eat in appropriated dining facilities without charge.

17.2.1.2. Discount Meal Rate. Officers, when not receiving the meal portion of per diem, must be charged the discount meal rate when they are:

17.2.1.2.1. Performing duty on a U.S. Government vessel,

17.2.1.2.2. On field duty,

17.2.1.2.3. In a group travel status, or

17.2.1.2.4. Included in essential unit messing (EUM) as defined in the JTR. EUM refers to using the Government dining facility as a unit or group and cannot be applied to an individual traveler. It may be required for operational deployments or training courses, when the Secretary concerned, the Combatant Commander, or the Joint Task Force (JTF) Commander determines that it is essential for accomplishing training and readiness or is necessary for military operations.

17.2.1.3. Standard Meal Rate. Officers must be charged the standard meal rate when in any status other than that set forth in subparagraph 17.2.1.

17.2.2. Enlisted Personnel

17.2.2.1. Conditions for Charge. Enlisted personnel may eat in an appropriated dining facility without charge when not receiving either an allowance for subsistence or the meal portion of per diem. Enlisted personnel entitled to meals at government expense must be furnished such meals on a nonreimbursable basis without regard to unit or DoW Component affiliation. Reimbursement between the Military Departments for such meals is not authorized for active duty personnel and members of the Reserve Components. See Tab G.

17.2.2.2. Discount Meal Rate. Enlisted personnel when not receiving the meal portion of per diem, must be charged the discount meal rate when they are:

17.2.2.1. On a U.S. Government aircraft on official duty either as a passenger or as a crew member engaged in flight operations, or

17.2.2.2. On JTF operations other than training at temporary U.S. installations or using temporary appropriated dining facilities.

17.2.2.3. Standard Meal Rate. Enlisted personnel must be charged the standard meal rate when they are receiving the meal portion of per diem or when they are receiving an allowance for subsistence.

17.2.3. Military Dependents

17.2.3.1. Charge Required. Military dependents are not authorized to eat in appropriated dining facilities without charge.

17.2.3.2. Discount Meal Rate. Military dependents must be charged the discount meal rate when they are dependents of enlisted members in pay grades E-1 through E-4.

17.2.3.3. Standard Meal Rate. All military dependents, other than military dependents of enlisted members in pay grades E-1 through E-4, must be charged the standard meal rate.

17.2.4. Federal Civilian Employees

17.2.4.1. Charge Required. Federal civilian employees are not authorized to eat in appropriated dining facilities without charge.

17.2.4.2. Discount Meal Rate. Federal civilian employees, not receiving the meal portion of per diem, must be charged the discount meal rate when they are:

17.2.4.2.1. Performing duty on a U.S. Government vessel,

17.2.4.2.2. On field duty,

17.2.4.2.3. In a group travel status,

17.2.4.2.4. Included in EUM as defined in the JTR,

17.2.4.2.5. On a U.S. Government aircraft on official duty either as a passenger or as a crew member engaged in flight operations, or

17.2.4.2.6. On JTF operations other than training at temporary U.S. installations or using temporary appropriated dining facilities.

17.2.4.3. Standard Meal Rate. Federal civilian employees must be charged the standard meal rate when in any status other than those set forth in subparagraph 17.2.4.

17.2.5. Members of Youth Groups

This category consists of members of organized nonprofit youth groups sponsored at the national or local level and ad hoc groups of youths. The distinction between the two groups is that an organized youth group has continuity over time and a structure (such as officers, advisors, organization rules); while an ad hoc group does not. For example: A local high school Key Club, which may be sponsored by the Kiwanis Club, would qualify as an organized nonprofit youth group. On the other hand, if the children of a local Kiwanis Club's members visited an installation, they would be considered an ad hoc group because they are not a formally organized and structured youth group.

17.2.5.1. Charge Required. These individuals are not authorized to eat in appropriated dining facilities without charge.

17.2.5.2. Discount Meal Rate. Members of an organized nonprofit youth group sponsored at either the national or local level must be charged the discount meal rate, when extended the privilege of visiting a military installation, or when residing at a military installation and permitted to eat in the general mess by the commanding officer of the installation (37 U.S.C. § 1011(b)).

17.2.5.3. Standard Meal Rate. All ad hoc youth group members must be charged the standard meal rate.

17.2.6. Others

This category includes: (1) military retirees and their dependents, (2) government contractors in overseas contingency operations, (in accordance with the Defense Federal Acquisition Regulation Supplement, Procedure, Guidance, and Information 225.7401 (DFARS PGI 225.7401)) and (3) all other individuals not included in paragraphs 17.2.1 through 17.2.5.

17.2.6.1. Charge Required. These individuals are not authorized to eat in appropriated dining facilities without charge.

17.2.6.2. Standard Meal Rate. These (all other) be charged the standard meal rate.

17.3 General Provisions: Refer to The Fmr Volume 12 Policy.

17.4 Disposition of Funds

17.4.1. Recording Policy

Program obligations and expenditures, as well as revenues and food service operating expenses, must be recorded, accumulated, and controlled in accordance with this chapter.

17.4.2. Collections

17.4.2.1. Except when deductions from pay are authorized and have been provided for, or prior arrangements for payment have been established with an official of an authorized group, diners must pay for a meal in cash prior to the meal being served. In any event, all meal charges must be determined and posted no later than the last day of the month incurred with payment being made not later than the 15th of the following month.

17.4.2.2. Any losses that might be incurred from uncollectible accounts must be absorbed by the subsistence account funding the facility.

17.4.3. Discounted and Standard Meal Rate Distribution

Collections must be distributed as follows:

17.4.3.1. Discount Meal Rate. Collections received from patrons paying the discount meal rate (food costs only) must be credited to the applicable financing subsistence account of the Military Service.

17.4.3.2. Standard Meal Rate. Collections received from patrons paying the standard meal rate must be credited to the financing appropriation(s). The food cost portion must be credited to the subsistence account and the operating expense portion (difference between discount and standard meal rates) to the operations and maintenance or other financing account(s).

17.5 Accounting For Food Allowances

17.5.1. Information Requirements: Refer to the FMR Volume 12 Policy.

17.5.2. Counting the Number of Persons' Furnished Meals

17.5.2.1. The following procedures must be used to account for meals served to authorized subsistence-in-kind entitled or cross Service reimbursable personnel:

17.5.2.1.1. Each appropriated dining facility must maintain usage data in an electronic management information system or other logs in which each diner's unit of assignment and identification, travel order number, or other authorizing document are recorded. The applicable identification number may include, for example, the diner's meal card, DoW ID, or Common Access Card (CAC) number. When reimbursement is required, the rate category must be recorded in the log. A person independent of the appropriated dining facility operation must complete the log. When mass feeding within a specified time period is required, such as at recruit (basic) training centers and special schools, a single person responsible for the group may certify the entitlement classification and/or the reimbursement rate for all diners in the group.

17.5.2.1.1.1. Record of daily usage must be used by the appropriated dining facility in preparing necessary reports.

17.5.2.1.1.2. The meal card control officer or the personnel manager of the installation must use the usage records to conduct local management reviews and perform periodic tests of meal card usage, entitlement and reimbursement rates. The responsible official must retain all records and test results in accordance with approved disposition schedules.

17.5.2.2. As an alternative to the procedures in subparagraphs 17.5.2.1.1.1 and 17.5.2.1.1.2, each diner must sign an appropriate signature record, including authorization category, for each meal received. These records must be reviewed at the local command level and retained until verified independently against the reports submitted for the appropriated dining facility.

17.5.2.3. At their discretion, installation commanders are authorized to impose requirements that are more stringent.

17.5.2.4. DoW Common Access Card, other SMART card technology, or other headcount procedures approved by the Secretary of a Military Department may be utilized for diner identification/authorization, as long as the integrity of the count is maintained.

17.5.2.5. The total count of each meal must be classified and recorded by the diner's category of entitlement and by type of food allowance, i.e., basic daily food allowance (BDFA), special food allowance, and supplemental food allowance.

17.5.2.6. During combat or other operational conditions (e.g., mass troop movements, maneuvers or field exercises when actually subsisted under field conditions, forces

afloat, and emergency conditions resulting from catastrophes or civil disorders), when maintenance of a meal log or signature record is not practicable, an internal control system must be established to maintain the integrity of the headcount.

17.5.2.7. Each appropriated dining facility must number, serially, the daily log forms and signature records, which must include the following minimum requirements:

17.5.2.7.1. Identification of the appropriated dining facility and date.

17.5.2.7.2. Identification of the number of meals.

17.5.2.7.3. Signatures of the person maintaining the log, and of the officer in charge.

17.5.2.7.4. Diner's unit of assignment, identification number, or travel order number or other authorizing document identification, and category of entitlement, which authorizes the diner to eat on a reimbursable basis.

17.5.2.7.5. Diner's signature and rank or grade.

18.0 MILITARY ACADEMY DINING HALL OPERATIONS

There is no Supplemental guidance for Section 18.

19.0 FINANCIAL MANAGEMENT FOR DEFENSE HEALTH PROGRAM RESOURCES

19.1 General

Refer to the FMR Volume 12 Policy.

19.2 Responsibilities

Refer to the FMR Volume 12 Policy.

19.3 Additional Expenses Chargeable To The DHP

Refer to Volume 12 Policy for the full main listing of chargeable expenses.

19.3.1.1. Continuing Medical/Health Education. Charge approved Continuing Medical/Health Education (CME/CHE) of assigned DHA/USUHS military and civilian medical personnel to the DHP obligations and expenses. Military personnel approved for travel to attend CME/CHE must have one year remaining on their active-duty service commitment unless otherwise authorized by ASW(HA).

19.3.9. Supplies and Equipment

19.3.9.1. Charge both medical and non-medical materials required for the DHP's daily operations, including organizational and functional (medical scrubs) clothing and expense-type equipment issued to a medical facility. Functional clothing may not be personalized. Clothing accoutrements (name tags, rank insignia) and headgear (i.e., organizational ball caps) are personal expenses.

19.3.9.2. Charge supplies and services for the MTF pandemic planning program, including medical, pharmaceutical, and personal protective equipment materials, and participation in the Shelf-Life Extension Program (SLEP). The DHA pandemic planning program establishes, procures, and replenishes assemblage items to facilitate expeditious DoW response to a pandemic event. The SLEP aims to extend the useful shelf-life of pharmaceuticals to maximize cost savings and minimize risks to mission readiness. The DHA Director of Medical Logistics or higher relevant authorities allocates funds for the SLEP.

19.3.10. Laundry and Dry Cleaning. Charge services for hospital clothing and linens to DHP. Include nurses' privately owned uniforms when delivered to the laundry in bulk. If the host installation initially finances the services, transfer the charges to the medical program as a contractual service.

19.3.11. Blood Donation Incentive Items and Refreshments. DHP O&M funds may be used to provide low-cost incentive items such as T-shirts, coffee mugs, or pens to volunteer donors at Armed Forces blood donor centers. Items may not be personalized and must convey an appropriate message intended to encourage or reinforce voluntary blood donations to maintain adequate military blood supplies. DHP O&M funds may purchase light refreshments to prevent adverse donor medical reactions.

19.3.12. Research Subject Incentive Items. Low intrinsic value items, such as pens, coffee mugs, water bottles, key chains, luggage tags, frisbees, or toothbrushes may be provided as an incentive for research subject participation. Items must not be personalized. Coins may not be procured as promotional items or incentives.

19.3.13. Professional Licenses for Healthcare Providers

19.3.13.1. Ordinarily, professional licenses are a personal expense. However, when a uniformed service member must pay a professional license fee to provide healthcare services at a civilian healthcare facility pursuant to an MTF Resource Sharing Agreement or Training Agreement, the member may be reimbursed up to \$500 of the license fee per 10 U.S.C. §1096(d). Personal benefits a member receives from the license are incidental to performing official duties. This guidance does not apply to civil service employees and contractors who must be licensed as a condition of employment, nor does it apply to healthcare providers whose sole purpose in obtaining the license is for off-duty employment.

19.3.13.2. Appropriated funds reimburse licensing fees if a DoW civilian or military healthcare provider's current licensure state(s) impose(s) criminal or civil penalties and/or adverse licensing actions due to the state restricting the provider's federally authorized duty per 5 USC §5757 and 10 USC §2015. To qualify, the provider must be solely licensed in a state(s) with the restrictions and not currently have licenses in other states that are free of similar restrictions. Fees for qualified providers are reimbursed for obtaining a single additional license in a state without similar restrictions.

19.3.14. Funding for Clothing Destroyed During Medical Care

DHP funds may be charged to replace uniform clothing items for:

19.3.14.1. Medical personnel when the clothing is destroyed to prevent the spread of contagious diseases.

19.3.14.2. Military personnel when the items are altered or damaged during or immediately following medical care in such a manner as to prevent using the clothing after treatment.

19.3.15. Leased Housing for Military Graduate Medical Education Residents

Leases for military graduate medical education resident external rotations must be coordinated by the host MTF via the appropriate Contracting, Legal, and Civil Engineering organizations.

19.3.16. Publication of Articles in Professional Journals

19.3.16.1. Per OMB Circular A-21, "Cost Principles for Educational Institutions", appropriated funds for publishing fees are allowable as research costs.

19.3.16.2. DHP funds are allowed to be used when:

19.3.16.2.1. The research papers report work related to efforts supported by the DHP, and the page or publishing charges are levied impartially on all research papers published by the journal.

19.3.16.2.2. Publication costs include printing and the produced end products, distribution, promotion, mailing, and general handling. Publication costs also include page charges in professional journal publications.

19.3.16.2.3. Publishing fees for articles or research not sanctioned by OASW(HA), the President of USUHS, or the Director of DHA are not chargeable to DHP funds.

19.3.17. Procurement of Health Publications and Printed Material

Charge health publications (medical, nursing, dental, and health sciences) and printed material to DHP if procured for DHA or USUHS.

19.3.18. Professional Credentials and Specialty Board Examinations

19.3.18.1. Charge DHP for military personnel and civilian employees assigned to the DHA, subordinate organizations, and USUHS or when the ASW(HA) authorizes the expenditure or professional credential and specialty board examinations. Expenditure is authorized when professional credentials enhance (a) the individual's MilDep career opportunities and increases competitiveness in advancing post-military civilian careers; or (b) the individual's ability to perform official duties. See Volume 10 and DoWI 1322.33, "DoW Credentialing Programs."

19.3.18.2. Expenses include professional certification costs such as specialty board certifications, classroom instruction, hands-on training (and associated materials), manuals, study guides and materials, textbooks, processing, tests, and related fees.

19.3.18.3. The expense is non-reimbursable if the individual fails the examination. Proof of successfully passing the examination must be submitted with the reimbursement request.

19.3.18.4. DHP may not reimburse military personnel or civilian employees to obtain or renew professional credentials that are a prerequisite for appointment or employment in the Armed Forces per DoWI 1310.02, "Original Appointment of Officers," or for credentials required to hold a military occupation or duty position.

19.3.18.5. Reimbursement requests must be submitted and approved prior to personnel incurring expenses for application fees, examinations, and certifications.

19.3.19. Professional Membership Fees (Military and Civilian)

19.3.19.1. DHP funds pay membership fees in professional organizations only when (1) the membership is the name of the organization (DHA or USUHS); and (2) if the membership benefits the organization's mission.

19.3.19.2. DHP must not be used to pay an individual's membership fees unless the fee is an essential cost directly associated with the training (i.e., inseparable from the training), or is a prerequisite for the training. See 5 U.S.C. §4109(b), "Expenses of Training" and 10 U.S.C. §2013(c).

19.3.19.3. Individual membership in professional organizations may not be borne by the DHP, it is a personal expense, this includes organizations such as the Healthcare Information and Management Systems Society, the American College of Healthcare Executives, and many others.

19.3.20. Medical and Dental Care for Academy Cadets, Midshipmen, Members and Designated Applicants for Senior Reserve Officer Training Corps

Charge to the DHP the costs of medical/dental care for:

19.3.20.1. A cadet at the United States Military Academy, the United States Air Force Academy, the Coast Guard Academy, or a midshipman at the United States Naval Academy; and a member or applicant of the Senior Reserve Officer Training Corps (SR ROTC), who incurs or aggravates an injury, illness, or disease in the line of duty.

19.3.20.2. A SR ROTC member or a designated applicant for SR ROTC membership, who incurs or aggravates an injury, illness, or disease (a) while performing duties under 10 U.S.C. §2109, "Practical military training," (b) while traveling directly to or from where the member or applicant is to perform or has performed duties or (c) while remaining overnight immediately before the commencement of duties performed or (d) while remaining overnight, between successive periods of performing duties, at or in the vicinity of the site of the duties performed pursuant to 10 U.S.C. §2109, if the site is outside reasonable commuting distance from the residence of the member or designated applicant. A designated applicant is an individual who has formally applied to the SR ROTC program but has not yet signed a contract. SR ROTC members are distinguished by their contractual obligation to serve as commissioned officers upon graduation, making them an integral part of the active-duty pipeline. Designated applicants, while not yet contractually obligated, are participating in SR ROTC activities as part of the application process.

19.3.20.2.1. A SR ROTC member or designated applicant injured while performing duties under 10 U.S.C. §2109, is entitled to receive appropriate treatment of the injury, illness, or disease until the injury, illness, disease, or any resulting disability cannot be materially improved by further hospitalization or treatment, and meals during hospitalization.

19.3.20.2.2. A SR ROTC member or designated applicant is not entitled to benefits for an injury, illness, or disease, or the aggravation of an injury, illness, or disease that is a result of the gross negligence or the misconduct of that person.

19.3.21. Reimbursement for Civilian Medical/Dental Treatment Paid from Personal Funds

19.3.21.1. See Volume 10 for reimbursement to Military Members.

19.3.21.2. See Volume 10 for reimbursement to Dependents of Military Members, and Retired Members.

19.4 Additional Expenses Not Chargeable To The DHP

Although some activities may appear to be health-related, they may not necessarily be funded with the DHP appropriation. Expenses listed in this section are commonly mistaken as being funded with DHP but are in fact funded with MilDep, contingency, or Defense-wide appropriations or are personal expenses for which no government appropriations should be used.

19.4.8. Aeromedical Evacuation Airlift in Support of Peacetime and Contingency Operations

19.4.8.1. If the President and the Office of the Secretary of War (OSW) declare a major contingency operation, the appropriation funding the contingency will be charged for the Aeromedical Evacuation (AE) contingency airlift (from contingency area to first overseas MTF). Air Force O&M funds pay only those AE contingency airlift costs billed by the Transportation Working Capital Fund (TWCF) from the first overseas fixed MTF to CONUS. When the President and OSW formally withdraw the contingency designation and entitlement to hostile fire pay ceases, military assignments are no longer based on rotational deployments, and Air Force O&M funds reimburse the TWCF for AE airlift costs from those former contingency areas.

19.4.8.2. Funds for peacetime AE operations, including Special Assignment Airlift Missions (SAAM), were transferred from the DHP to the Air Force in the FY 2021 President's Budget. Do not charge AE SAAMs to the DHP.

19.4.15. Comfort Items During Hospital Stay of Mentally/Physically Incompetent Retiree See Volume 7B.

19.4.16. Reserve Officer Training Corps Injuries or Illness Incurred in Line of Duty

19.4.16.1. Do not charge the DHP for medical care provided to ROTC members who are not under contractual obligation to serve as commissioned officers. The Secretary of Labor must use the Employees' Compensation Fund to reimburse MilDep expenses providing civilian and private sector hospitalization, medical and surgical care, and necessary transportation incident to that care, or in connection with a funeral and burial on behalf of a member of, or applicant for membership in Reserve Officer Training Corps of the Army, Navy, or Air Force who suffers an injury, disability, or death, or an illness contracted, in line of duty. An "applicant for

membership” includes a student enrolled in a course of Reserve Officers’ Training Corps instruction at an educational institution. This paragraph specifically excludes members of SR ROTC and designated applicants who are contractually obligated for service, as outlined in subparagraph 19.3.20.

19.4.16.2. The Department of Labor (DOL) may not reimburse hospitalization, medical, or surgical care provided to an individual at a military MTF.

19.4.16.3. Subject to review by the Secretary of Labor, the MilDep must determine whether an injury, disability, or death was incurred, or an illness was contracted, by a member in the line of duty. Under 10 U.S.C. §2109, the line of duty includes: (a) while engaged in a flight or in-flight instruction or (b) during the member’s attendance at training or a practice cruise, beginning and ending with the authorized travel.

19.4.16.4. The MilDep must cooperate fully with the DOL in the prompt investigation and resolution of a case involving the legal liability of a third party other than the United States.

19.4.17. Contingency Support Medical Activities

19.4.17.1. Do not charge DHP for costs for deployed medical facilities or biological/chemical warfare medical supplies deployed with personnel. MilDeps or other appropriations that fund the contingency must fund these expenses.

19.4.17.2. Do not charge DHP for contingency pre-deployment, employment, and re-deployment of medical combat support personnel, equipment, and supply expenses requested by the Combatant Command (CCMD) and approved by proper authority. MilDeps or other appropriations that fund the contingency must fund these expenses.

19.4.17.3. The MilDep or appropriation(s) funding the contingency will be charged with immunization/inoculation supplies carried by personnel for possible future use during the deployment. DHP does not fund these supplies.

19.4.18. Participation in Armed Forces Sports Programs

The DHP does not fund costs associated with Armed Forces Sports Programs, including equipment, uniforms, travel, or any other related expenses.

19.4.19. Health Promotion Items

19.4.19.1. Appropriated funds are not available for the purchase of items primarily intended for promotional purposes or to raise awareness, even if those items have a nominal or low unit value. This includes, but is not limited to, items such as pens, toothbrushes, coffee mugs, coins, water bottles, keychains and lanyards, t-shirts and frisbees. These items may not be purchased with appropriated funds, even if used in conjunction with health promotion and outreach.

19.4.19.2. This restriction does not apply to the purchase of printed educational materials directly related to patient care, health programs, or prevention strategies. This includes items such as pamphlets, brochures, flyers, and posters. These materials must be primarily informational in nature and designed to educate patients about specific health conditions, treatment options, available programs, or preventive measures.

19.5 Other Healthcare Accounting Matters

19.5.1. Sexual Assault Prevention and Response

The Director, DoW Human Resource Activity (DHRA) manages the Defense-wide O&M appropriation that funds the Sexual Assault Prevention and Response (SAPR) program. The MilDeps, Office of the Secretary of War, Joint Chiefs of Staff, Defense Security Cooperation Agency, U.S. Special Operations Command, DHA, and DHRA are allocated funds supporting SAPR activities. Multiple Program Elements (PE) execute funds. Search the Future Years Defense Program (FYDP) Structure Management System for a comprehensive list of all PEs. See Table 19-4 for a list of Active Component PEs and descriptions.

19.5.2. Integrated Primary Prevention

The MilDeps and DHA receive Defense-wide O&M to prevent self-directed harm and prohibited abusive or harmful acts including, sexual assault, harassment, suicide, retaliation, domestic abuse, and child abuse. These efforts include prevention strategy development, policy, oversight, manpower, research, programs, evaluation, and training. Multiple PEs execute these efforts. Search the FYDP Structure Management System for a comprehensive list of all PEs. See Table 19-5 for a list of Active Component PEs and descriptions.

19.5.3. Suicide Prevention

The Defense-wide O&M appropriation funds suicide prevention efforts. MilDeps and DHA receive funds. Multiple PEs fund these efforts. Search the FYDP Structure Management System for a comprehensive list of all PEs. See Table 19-6 for a list of Active Component PEs and descriptions.

19.5.4. Drug Demand Reduction Program/Urinalysis Program

The Defense-wide Counternarcotic appropriation funds routine drug testing of military personnel and civilian employees. The Deputy Assistant Secretary of War for Counternarcotics and Stabilization Policy within the Office of the Under Secretary of War for Policy manages the program. Multiple PE execute funding. Search the FYDP Structure Management System (DoW CAC required) for a comprehensive list of all PEs. Active Component PEs include 0808789 and 0208893.

19.5.5. Family Advocacy Program

The Defense-wide O&M appropriation funds the Family Advocacy Program (FAP). The FAP addresses domestic abuse, child abuse and neglect, and harmful behaviors between children and youth. Multiple PEs execute funds, see Table 19-7 for a list of PEs and descriptions.

19.5.6. Centrally-Managed Accounts

Operate and execute appropriate Centrally-Managed Accounts (CMAs) or open allotments to provide for active-duty military personnel emergency care and fund the CMAs from the DHP. For additional information regarding CMAs, see Volume 14.

19.5.7. Operating Materials and Supplies for Future Use

MTFs may carry medical supplies for local future use at reasonable and historical levels, as needed to avoid disruption of operations. Items procured are typically for periods of high healthcare demands or emergencies and are for local consumption. These are not National Stockpile materials that DoW must maintain for national emergencies.

19.5.8. Substance Abuse Control Program

The Substance Abuse Control Program includes manpower authorizations, support equipment, facilities, and associated costs specifically identifiable and measurable to the Air Force Substance Abuse Control Program (drug and alcohol prevention and detection). It excludes the Drug Demand Reduction program and costs associated with clinical consultation and treatment conducted on an outpatient or inpatient basis. Air Force PE 0808723. Space Force PE 1208723.

19.5.9. Drug Manufacturer Credits Received from Return of Expired or Recalled Pharmaceuticals

Do not record on the DHP general ledger any pharmacy credits issued by drug manufacturers via the reverse distribution process from pharmaceutical prime vendor (PPV) contracts awarded by the Defense Logistics Agency (DLA) Working Capital Fund. DLA must record credits as the contractual purchasing activity. DLA requires that PPVs establish credit accounts for MTFs. Although credits do not expire, DLA imposes a one-year period during which MTFs consume the credits. The PPV cashes out expiring credits and DLA deposits the cash to Miscellaneous Receipts of the Treasury.

19.6 Uniform Billing Office Operations

19.6.1. The DHP bills and collects for MTF healthcare services under three distinct reimbursement programs. – Refer to policy document for (list subparagraphs)

19.6.1.1. Third-Party Collections Program

10 U.S.C. §1095 established the Third-Party Collections (TPC) program. MTFs bill health insurance companies for the care provided to DoW beneficiaries. Specifically, when a non active-duty beneficiary receives medical care within the MTF, the MTF must query and document whether that patient possesses health insurance (other than TRICARE) via the DD Form 2569,

“Third Party Collection Program/Medical Service Account/Other Health Information.” MTFs must manage the TPC program according to DHA-Procedures Manual (PM) 6015.01, “Military Treatment Facility Uniform Business Office Manual.” (DoW CAC required). Collections must be deposited in the current O&M appropriations for the MTF that provided the care.

19.6.1.2. Medical Services Account Program

19.6.1.2.1. Medical Services Account (MSA). MSA activities involve billing and collecting funds for medical and dental services, including elective cosmetic procedures, provided in the DHP fixed facilities from the following entities: DoW beneficiaries; other government agencies; DoW civilian employees and contractors; Non-Appropriated Fund employees; Secretarial designees; authorized foreign military members; DoW dependent school employees; Army and Air Force Exchange Services employees; civilian emergency patients; and other non-DoW beneficiary patients authorized to receive treatments in Military MTFs.

19.6.1.2.1.1 10 U.S.C. §1074a, “Medical and dental care: members on duty other than active duty for a period of more than 30 days”, 10 U.S.C. §1079b, 10 U.S.C. §1085, 14 U.S.C. §506, 38 U.S.C. §8111, and other authorities govern the MSA.

19.6.1.2.1.2. MSA bills and collects funds for healthcare services provided to non-beneficiary patients authorized to receive care in an MTF.

19.6.1.2.1.3. The MSA Officer is a collection agent of the local Disbursing Office and bills and collects fees for healthcare services and subsistence provided at the MTF, safeguards patient valuables, and serves as a Change Fund Custodian.

19.6.1.2.1.4. MTFs must manage the MSA program in accordance with DHA-PM 6015.01. Collections must be deposited to the MTF DHP appropriation that provided the care.

19.6.1.2.2. Collections from the U.S. Coast Guard. In lieu of the reimbursement required under 10 U.S.C. §1085, the Secretary of Homeland Security as per 14 U.S.C. §506 must make a prospective payment to the Secretary of War of the actuarial valuation for the treatment or care that the MTFs provide to current and former members of the Coast Guard, and their dependents.

19.6.1.2.2.1. Former members and dependents who are Medicare-eligible beneficiaries or for whom the payment for treatment or care is made from the Medicare-Eligible Retiree Health Care Fund are not included.

19.6.1.2.2.2. No prospective payment is made for periods during which the Coast Guard operates as a service in the Navy. The prospective payment requirement does not apply to care provided in the private sector under TRICARE.

19.6.1.2.3. Collections from the Department of Veterans Affairs (VA). The VA functions as a health insurance carrier for its beneficiaries, similar to how the DoW

operates through TRICARE for DoW's medical beneficiaries. DoW and the VA established agreements under the authority of 38 U.S.C. §8111 permitting the VA to reimburse DoW for healthcare services provided to VA beneficiaries through DoW facilities. Consistent with 38 U.S.C. §8111(c)(3)(G) and 10 U.S.C. §1095(g), collections received from the VA corresponding to DHA medical invoices for clinical healthcare services must be deposited into the DHP appropriation available when the collection is received. This does not apply to non-clinical services provided to VA, such as laundry and other services for which funds must be obligated before services are provided.

19.6.1.3. Medical Affirmative Claims Program

19.6.1.3.1. Title 42 U.S.C. §§2651 – 2653 and 10 U.S.C. §1095 govern the Medical Affirmative Claims (MAC) program and authorizes DoW to recover expenses from third parties, for medical care provided to an injured or diseased person, when authorized or required by law. The DoW may recover the cost of pay for service members who are unable to perform duties because of said injuries or disease. DoW pursues recovery of medical and/or salary expenses from third parties through the MAC program. DoW may file MAC claims against all insurance, including but not limited to automobile, products, premises, and general casualty, homeowners', renters', medical malpractice (by civilian providers), and workers' compensation (other than federal employees).

19.6.1.3.2. The MAC program is a collaborative effort between the DHA MTFs, DHA TRICARE Program Resource Management (DHA-TPRM) / TRICARE, DHA Office of the General Counsel (OGC), and the MilDep Judge Advocate General (JAG) offices. Specifically, the MTFs and TRICARE report to the OGC/JAG any injuries or diseases that may have been caused by third parties, and in turn, the OGC/JAG reviews pertinent documentation to determine whether legal action may be pursued to recover the healthcare expenses and/or salaries of the injured person(s).

19.6.1.3.3. OGC/JAG legal action may or may not recover medical and/or salary expenses; and cases may take several years before achieving resolution (e.g., settlements). Therefore, consistent with Federal Accounting Standards Advisory Board (FASAB) Statements of Federal Accounting Standards (SFFAS) 7, "Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting," the OGC/JAG claims are non-exchange revenue. Recognize nonexchange revenue when a reporting entity establishes a specifically identifiable, legally enforceable claim to cash or other assets.

19.6.1.3.4. FASAB conservatively recognizes revenue. SFFAS 7 states that nonexchange revenue is recognized if a collection is probable (i.e., more likely than not) and the amount is measurable (i.e., reasonably estimable). MAC cases may take several years before achieving resolution; therefore, MAC non-exchange revenue will be recorded upon the receipt of cash. This averts the potential for overstating the DHP's financial position.

19.6.1.3.5. Deposit the healthcare portion of settled MAC claims (cash is received) to the DHP appropriation available for the activity that funded the care (MTF or TRICARE).

19.6.1.3.6. Deposit the service member salary portion of settled MAC claims to the pertinent MilDep's Military Personnel Appropriation.

19.6.1.3.7. MAC program recoveries are reimbursements, not refunds.

19.6.2. Waived and Discharged Medical Debts

19.6.2.1. Under 10 U.S.C. §1079b, the DHA Director must discount certain medical fees for non-beneficiary civilian patients who receive care in MTFs. The DHA Director also has discretionary authority to waive certain fees under 10 U.S.C. §1079b.

19.6.2.2. For debts waived by the DHA Director under 10 U.S.C. §1079b, the debt collection termination date and the discharge date in the medical billing system must be the same. After debt collection termination, no active or passive collection actions may be pursued.

19.6.2.3. For tax reporting, the DHA Director's decision to waive a medical debt in the amount of \$600 or more is an identifiable event pursuant to 26 C.F.R. 1.6050P-1 and must be reported to the Internal Revenue Service (IRS). The DHA reports the debt to the IRS and issues a Form 1099-C, Cancellation of Debt, to the debtor by the IRS-established timeline (generally January 31st of each calendar year). A debt is considered canceled on the date that the authorized individual approves the debt waiver.

19.6.2.4. Form 1099-C must be issued to the debtor if the collection of delinquent medical debts that have been transferred to the Department of the Treasury Cross-Servicing Program by DHA MTFs are subsequently terminated by the Treasury. Treasury prepares the Form 1099-C and issues it with approval from the DHA.

19.6.2.5. Medical debts for which collection is terminated by the Department of Justice (DOJ) are reported to the IRS and a Form 1099-C is issued to the debtor. The DHA reports the debt and issues the Form 1099-C. The termination of collection date is the notification letter date that the DOJ issues to DHA. The discharge date in the medical billing system is also the date of the DOJ letter. DHA issues the Form 1099-C by the IRS-established timeline (generally January 31st of each calendar year).

19.7 DHP Budget Activity Groups (Bags) And PE Structure

OUSDC(C) allots the DHP appropriation in DHP unique BAGs and corresponding PEs. The BAG and PE structure for the DHP Budget Activity 1, Operations & Maintenance, is provided in Table 19-1. The DHP Budget Activity 2, Research, Development, Test, and Evaluation (RDT&E) PE Structure is found in Table 19-2. The DHP Budget Activity 3, Procurement PE Structure is found in Table 19-3. The PE definitions are included in the FYDP Structure Management System that is maintained by the Office of Cost Assessment and Program Evaluation.

Table 19-1: DHP Budget Activity 1, O&M, BAG with Corresponding PE Structure

BAG	BAG Title	PE	Description
1	In-house Care	0807700	Defense Medical Centers, Hospitals and Medical Clinics – Continental United States (CONUS)
		0807900	Defense Medical Centers, Hospitals and Medical Clinics – Outside the Continental United States (OCONUS)
		0807701	Pharmaceuticals – CONUS
		0807901	Pharmaceuticals – OCONUS
		0807715	Dental Care Activities – CONUS
		0807915	Dental Care Activities – OCONUS
2	Private Sector Care	0807702	Pharmaceuticals – Purchased Healthcare
		0807703	Pharmaceuticals – National Retail Pharmacy
		0807723	TRICARE Managed Care Support Contracts
		0807738	MTF enrollees – Purchased Care
		0807741	Dental – Purchased Care
		0807742	Uniformed Services Family Health Program
		0807743	Supplemental Care – Health Care
		0807745	Supplemental Care – Dental
		0807747	Continuing Health Education/ Capitalization of Assets Program
		0807749	Overseas Purchased Healthcare
		0807751	Miscellaneous Purchased Healthcare
		0807752	Miscellaneous Support Activities
3	Consolidated Health Support	0801720	Examining Activities
		0807714	Other Health Activities
		0807705	Military Public/Occupational Health
		0807760	Veterinary Services
		0807724	Military Unique Requirements – Other Medical
		0807785	Armed Forces Institute of Pathology
		0807786	Joint Pathology Center
		0808735	Sexual Assault Prevention
		0808736	Special Victim Accountability and Investigation
		0808737	Integrated Primary Prevention
		0808738	Sexual Assault Response
		0903300	Support to Federal Advisory Committee Act (FACA) Advisory Board Activities

Table 19-1: DHP Budget Activity 1, O&M, BAG with Corresponding PE Structure (Continued)

BAG	BAG Title	PE	Description
4	Information Management/ Information Technology (IM/IT)	0807746	Joint Operational Medicine Information System (JOMIS)
		0807758	Cybersecurity
		0807759	Desktop to Datacenter (D2D)
		0807781	Non-Central IM/IT
		0807783	DHP IM/IT
		0807793	MHS Tri-Service IM/IT (Central)
		0807784	IT Development – Integrated Electronic Health Record
		0807787	IT Deployment and Sustainment - DoW Healthcare Management System Modernization
		0807788	DoW Medical Information Exchange and Interoperability
5	Management Activities	0807798	Management Activities (Components)
		0807704	Defense Health Agency
		0808762	Sexual Assault Prevention
6	Education and Training	0806721	Uniformed Services University of the Health Sciences
		0806761	Other Education and Training
7	Base Operations/ Communications	0806276	Facilities Restoration and Modernization (RM) – CONUS
		0806376	Facilities RM – OCONUS
		0806278	Facilities Sustainment – CONUS
		0806378	Facilities Sustainment – OCONUS
		0807779	Facilities Operations, Health Care – CONUS
		0807979	Facilities Operations, Health Care – OCONUS
		0807795	Base Communications – CONUS
		0807995	Base Communications – OCONUS
		0807796	Base Operations – CONUS
		0807996	Base Operations – OCONUS
		0807753	Environmental Conservation
		0807754	Pollution Prevention
		0807756	Environmental Compliance
		0807790	Visual Information Systems
		0808093	Demolition/Disposal of Excess Facilities

Table 19-2: DHP Budget Activity 2, RDT&E PE Structure

PE	Description	Type of RDT&E
0601117	Basic Operational Medical Research Science	Basic Research (6.1)
0602115	Applied Biomedical Technology	Exploratory Development (6.2)
0602787	Medical Technology	
0603002	Medical Advanced Technology	Advanced Development
0603115	Medical Development	
0604110	Medical Products Support and Advanced Concept Development	
0605013	IT Development	Information Management Activities
0605026	IT Development- DoW Healthcare Management System Modernization	
0605039	DoW Medical Information Exchange and Interoperability	
0605045	Joint Operational Medicine Information System	
0605145	Medical Products and Support Systems Development	Advanced Development
0605502	Small Business Innovative Research	R&D Support Activities
0606105	Medical Program-Wide Activities	
0607100	Medical Products and Capabilities Enhancement Activities	Advanced Development
308604	DoW Medical Information Exchange and Interoperability (DMIX) / Enterprise Intelligence and Data Solutions (EIDS)	Information Management Activities

Table 19-3: DHP Budget Activity 3, Procurement PE Structure

PE	Description
0807720	Initial Outfitting
0807721	Replacement & Modernization
0807744	Theater Medical Information Program - Joint (TMIP-J)
0807746	Joint Operational Medicine Information System (JOMIS)
0807759	MHS Infrastructure Technology Sustainment
0807784	Integrated Electronic Health Record
0807787	DoW Healthcare Management System Modernization
0807788	DoW Medical Information Exchange and Interoperability

Table 19-4: SAPR Active Component PE Descriptions

PE	Description
0808736	Special Victim Accountability and Investigation. Funds defense-wide investigation and accountability efforts for special victim investigation, representation (Special Victims Counsel/Victims Legal Counsel), prosecution, and defense. It supports DoW, MilDeps, and Military Criminal Investigative Organization headquarters operations. The PE includes program management, training, policy development, data reporting, and other investigation support of special victims' crimes (sexual assault, domestic abuse, and child abuse), representation of special victims, prosecution, and defense of accused service members and others subject to the Uniform Code of Military Justice. The PE also funds the Office of Special Trial Counsel. The DHA also receives funds. This PE does not include MHA resources. MHA resources are captured in PE 0808763.
0808738	Sexual Assault Response. Provides resources for sexual assault victim advocacy and associated response efforts for DoW SAPR Headquarters, DHA, and Military Services. Program management, training, victim advocacy and response, and sexual assault data reporting via the Defense Sexual Assault Incident Database are included. This PE does not include MHA resources. MHA resources are captured in PE 0808764.
0808762	Sexual Assault Prevention, MHA. Funds Sexual Assault Prevention efforts including prevention strategy development, policy, oversight, research, programs, evaluation, and training. The MilDeps, DHA, and various other organizations receive funds. This PE captures MHA resources only.
0808735	Sexual Assault Prevention. Funds prevention strategy development, policy, oversight, research, programs, evaluation, and training. The MilDeps, DHA, and various other organizations receive funds. This PE does not include MHA resources. PE 0808762 captures MHA resources.

Table 19-5: Integrated Primary Prevention Active Component PE Descriptions

PE	Description
0808765	Integrated Primary Prevention, MHA. Covers efforts to prevent self-directed harm and prohibits abusive or harmful acts including, sexual assault, harassment, suicide, retaliation, domestic abuse, suicide, and child abuse. Include prevention strategy development, policy, oversight, manpower, research, programs, evaluation, and training. This PE captures MHA resources only.
0808737	Integrated Primary Prevention, non-MHA. Covers efforts to prevent self-directed harm and prohibits abusive or harmful acts including, sexual assault, harassment, suicide, retaliation, domestic abuse, and child abuse. Include prevention strategy development, policy, oversight, manpower, research, programs, evaluation, and training. The DHA receives funding for this PE. This PE does not include MHA resources. MHA resources are captured in PE 0808765.

Table 19-6: Suicide Prevention Active Component PE Descriptions

PE	Description
0808755	Suicide Prevention. Prevention strategy development, policy, oversight, research, programs, evaluation, and training. This PE does not include MHA resources. MHA resources are captured in PE 0808758.
0808756	Suicide Response. All management, administrative, training, data collection, and operational costs for suicide response efforts. Suicide response is defined as “response to and care for individuals affected in the aftermath of a suicide attempt or suicide death.” This PE does not include MHA resources. MHA resources are captured in PE 0808759.
0808758	Suicide Prevention, MHA. Prevention strategy development, policy, oversight, research, programs, evaluation, and training. This PE captures MHA resources only.
0808759	Suicide Response, MHA. All management, administrative, training, data collection, and operational costs for suicide response efforts. See the suicide response definition in the previous sub-paragraph. This PE captures MHA resources only.

Table 19-7: Family Advocacy Program Active Component PE Descriptions

PE	Description
0808701	Family Advocacy, MHA. Family Advocacy, Management Headquarters Activities include costs for specifically identified and measurable FAP Major DoW Headquarters Activities.
0808718	Defense-wide Family Assistance. Defense-wide Family Assistance provides programs, policies, and outreach to service members, their families, survivors, and other eligible members of the military community. The programs promote force and family readiness, and quality of life and are most efficiently resourced at the Department level. This PE previously included FAP resources. Those resources were moved to 0808725 in the President’s Budget 2024. This PE does not include MHA resources.
0808725	Family Advocacy Program. Family Advocacy Program addresses prevention, identification, treatment, and reporting of adult-initiated family violence, including domestic abuse, intimate partner abuse, and child abuse and neglect; adult crimes against children; and child and youth-initiated serious harmful behavior. Resources align with specific prevention and education activities, advocacy, treatment, and DoW and MilDeps’ support services. These resources were moved out of PE 0808718 in the President’s Budget 2024. This PE does not include MHA resources.

20.0 CONTINGENCY OPERATIONS

21.0 BURDENSARING AND OVERSEAS RELOCATION CONTRIBUTIONS BY FOREIGN ALLIES

22.0 DISPOSITION OF NON-DOD PERSONAL PROPERTY

This FMR chapter's policy directive is self-executing; no subordinate DoW-level procedural guidance is required.

23.0 ADMINISTERING, USING, AND ACCOUNTING FOR SEIZED AND/OR VESTED FUNDS AND PROPERTY DURING CONTINGENCY OPERATIONS

ANNEX 1 SHIPMENT AND DISTRIBUTION OF FUNDS DURING CONTINGENCY OPERATIONS

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the host nations, Office of the Under Secretary of War (Comptroller) (OUSW(C)), and the designated Executive Agent when requesting and shipping vested funds to host nations.

B. Responsibilities

The administrator of the host nation, along with OUSW(C) and the Executive Agent will coordinate, request, document and arrange for the shipment of vested funds to the host nation.

C. Definitions

1. Contingency operations include, but are not limited to, support for peacekeeping operations, major humanitarian assistance efforts, noncombatant evacuation operations, and international disaster relief efforts.

2. Host nation is a nation that receives the forces and/or supplies of allied nations, and/or coalition partners to be located on, to operate in or to transit through its territory.

3. Coalition Forces are defined as a temporary alliance of factions, nations, or countries, for a specific purpose, in times of international conflict or war.

4. Executive Agent is the head of a Department of War (DoW) Component to whom the Secretary of War or the Deputy Secretary of War has assigned specific responsibilities, functions, and authorities to provide defined levels of support for operational missions, or administrative or other designated activities that involve two or more of the DoW Components.

5. Interim government is defined as a temporary government formed by the host nations or allies until a permanent government can be installed by the local people.

6. Vested assets are those frozen by Presidential Executive Order and vested with the U.S. Department of Treasury (Treasury) for return to the host nation.

7. Spending plan is a plan describing the purposes and the amounts of proposed expenditures of vested and seized property, developed by the host nation or the interim government, and submitted through appropriate channels for approval.

D. Procedures

1. The administrator of the host nation will make a determination that vested funds are needed for a specific purpose or objective.

2. After the determination is made, the host nation's comptroller will notify the OUSW(C) to create the necessary funding documents. The host nation's comptroller will also provide OUSW(C) with the host nation approved spending plans, supporting the distribution of the funds. The host nation's comptroller will identify the amount of money required along with the quantity of each denomination.

3. OUSW(C) will notify Treasury that cash is needed. When possible, the host nation's comptroller will give the OUSW(C) and Treasury at least a 10-day advance notice of when the money is needed in country. The Treasury will notify the Federal Reserve Board. The Federal Reserve Board will work with the designated Federal Reserve Bank to procure the amount of money needed and denominations as requested.

4. The host nation's comptroller, in coordination with the Executive Agent, is responsible for coordinating the delivery date and location where the money is to be delivered to allow for a maximum force protection posture keeping in mind customs, requirements and coordination with the host nation. The designated Executive Agent will coordinate with the Surface Deployment and Distribution Command to arrange transportation, security and loading of aircraft at the designated debarkation point to meet the host nation's desired delivery date.

5. The designated Executive Agent will provide the flight number and arrival time in country to the designated receiving disbursing officer and to the host nation to ensure security and logistical assets are available to off-load the currency.

6. The Executive Agent's financial operation's designee will ensure security and logistical assets are available to off-load the currency.

7. The Federal Reserve Board will notify the contracted armored carrier service to escort the money to the designated military installation. When the shipment arrives at the designated military installation, the accountable individual will be a military officer assigned to accompany the flight to the appointed airport.

8. Once at the designated military installation, the money is verified, arranged on pallets and shrink-wrapped to prevent loss and ensure accountability during shipment. The money is then loaded onto available military aircraft and escorted by two designated couriers. The accountable

individual has accountability for the money from the designated shipping point to designated receiving point.

9. Accountability will transfer from the accountable individual to the designated custodian for host nation funds or disbursing officer's representative, at the designated receiving point upon verification of funds.

ANNEX 2 DUTIES UPON ASSUMING POSSESSION OF FUNDS AND/OR PROPERTY

A. Purpose and Applicability

1. This annex addresses the duties, responsibilities, and general procedures to be followed by the Coalition Forces upon discovery, possession, seizure, or receipt of funds and/or property. Specific procedures to ensure accountability and transparency of vested and seized property must be developed to accommodate each unique contingency operation. Policy memorandums specific to each on-going contingency operation will be maintained on the DoW Financial Management Regulation website at DoW FMR Policy Memoranda, Volume 12, Special Accounts, Funds and Programs.

2. The designated Executive Agent shall coordinate with the OUSW(C) to develop specific procedures upon the notification of pending contingency operations. Such procedures will apply to all parties involved in the area(s) of operations for the specific contingency operations as specified in the policy memorandum.

B. Responsibilities

1. Command Responsibility. It is the obligation of the Combatant Commander and subordinate commanders at all levels to ensure all local regime or private property, cash, or other valuables seized, received, or otherwise taken into possession are properly secured, safeguarded, controlled and accounted for.

2. Individual Responsibility. It is the responsibility and obligation of all Coalition Forces personnel to: (1) notify superiors in a timely manner of any property seized or received; (2) keep records of and account for such property; and (3) properly secure, safeguard, and control the property in their physical possession. If required, assist other assigned or responsible personnel in the conduct of their duties to secure and safeguard such property or assets.

3. Custodial Responsibility. This responsibility can be either formally assigned or it may be an inherent responsibility derived from command authority. Custodians shall take all necessary and prudent actions to properly secure, control, account for, and safeguard property that comes into their physical possession.

4. Accountable Individual. An accountable individual will be appointed by the commander of the Coalition Forces (Detachment, Company, Battalion or equivalent activity) that originally finds, seizes, secures, or otherwise takes possession of public or private property, cash, or valuables. The accountable individual may be a Coalition Forces commissioned or warrant

officer or a properly qualified Coalition Forces civilian manager detailed or attached to the activity. The accountable individual will: maintain formal property, inventory, and accounting records that show, on a continuing basis, the identification or description of the items held, the physical count of cash and face value of currency and securities held by denomination, record of all gains or losses and on-hand balances, the conditions and locations of all property assigned or in possession, and evidence of the chain of custody maintained from time of first receipt or possession (by hand receipt or other record).

C. Definitions

Seized funds are cash and property confiscated by coalition forces during military operations and governed by the laws and usages of war. Normally captured foreign currency shall be delivered promptly into the custody of the State Department's United States Disbursing Officer (USWO) supporting the particular country involved. Any DoW DO acquiring captured foreign currency shall ensure the funds are safeguarded and delivered to the USWO as soon as possible. Captured foreign currency shall not be collected into the DOs accountability as prescribed in Volume 5, Definitions.

D. Procedures

1. Secure the property. Use armed guards or other appropriate forms of control as necessary.

2. The ranking military member present when the property is secured automatically becomes the accountable individual with custodial responsibility.

3. Conduct and document a physical inventory of the property. Establish a custodial record, using and modifying DA Form 4137 (Evidence/Property Custody Document) (Figure 2-1) as appropriate.

4. Remove the property, using appropriate care and security, to a controlled area and deliver to an accountable officer.

5. The accountable individual will deliver the property in the form of cash, jewels, precious metals or other items of value to the nearest disbursing officer or disbursing officer's representative. Upon receipt, the disbursing officer or DO representative shall become the designated custodian official for the cash, jewels, and precious metals. All other property should be handled through established logistics channels. If the seized assets have been designated to be collected into a trust fund, the DO will take them into his accountability. The DO will safeguard and account for the assets as prescribed in Volume 5, Chapter 16.

6. This accountable individual shall establish the appropriate accounting records.

7. Officers with custodial responsibility shall take all prudent and necessary steps to accomplish their responsibilities in this area, including observing and controlling the actions of subordinates, as needed, to safeguard property in their custody.

E. Determination of Public or Private Property Status

1. The location where the property was discovered or obtained must be considered in determining whether property is public or private. It is important that the officers with custodial responsibility document the location and circumstances under which property was obtained. In general, property obtained or seized at palaces or government ministry offices or other government compounds will be assumed to be the local regime assets. Property discovered in private residences or commercial locations or in rural locations will be initially assumed to be private assets. If what appears to be stocks or concentrations of looted goods are discovered, this property will initially be considered public.

2. Any additional documentation found with or adjacent to property may be used in the process of making a final determination on the status of the property. This documentation could include such items as records, invoices, vouchers, inventory lists, letters, or other forms of property identification. The officer initially charged with custodial responsibility will be required to make the determination as to the relevance of any documentation found with or in the vicinity of property recovered or seized. Should the documentation be deemed relevant, the officer charged with custodial responsibility will secure and include that documentation along with the property seized.

3. When property is seized from banks or other financial institutions, the custodial officer will secure and include all available, relevant documentation that will assist in the final determination of the status of the property. Other sources of information can be used to assist in these cases, including but not limited to, intelligence information and records obtained at government ministries describing banking or financial institutions used by the regime as part of their government financial system. Final determinations of the status of any seized assets or property will be made in conjunction with U.S. and Coalition Forces legal authorities.

Figure 2-1. Evidence/Property Custody Document

EVIDENCE/PROPERTY CUSTODY DOCUMENT			MPR/CID SEQUENCE NUMBER	
For use of this form see AR 190-45 and AR 195-5; the proponent agency is US Army Criminal Investigation Command			CRD REPORT/CID ROI NUMBER	
RECEIVING ACTIVITY		LOCATION		
NAME, GRADE AND TITLE OF PERSON FROM WHOM RECEIVED ☐ OWNER ☐ OTHER		ADDRESS (Include Zip Code)		
LOCATION FROM WHERE OBTAINED		REASON OBTAINED		TIME/DATE OBTAINED
ITEM NO.	QUANTITY	DESCRIPTION OF ARTICLES (Include model, serial number, condition and unusual marks or scratches)		
CHAIN OF CUSTODY				
ITEM NO.	DATE	RELEASED BY	RECEIVED BY	PURPOSE OF CHANGE OF CUSTODY
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	

DA FORM 4137, 1 JUL 76 Replaces DA FORM 4137, 1 Aug 74 and DA FORM 4137-R Privacy Act Statement 28 Sep 75 Which are Obsolete USAPPC V1.00

LOCATION _____ DOCUMENT NUMBER _____

Figure 2-1 (Continued)

CHAIN OF CUSTODY (Continued)				
ITEM NO.	DATE	RELEASED BY	RECEIVED BY	PURPOSE OF CHANGE OF CUSTODY
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	
		SIGNATURE	SIGNATURE	
		NAME, GRADE OR TITLE	NAME, GRADE OR TITLE	

FINAL DISPOSAL ACTION	
RELEASE TO OWNER OR OTHER (Name/Unit) _____	
DESTROY _____	
OTHER (Specify) _____	
FINAL DISPOSAL AUTHORITY	
ITEM(S) _____, ON THIS DOCUMENT, PERTAINING TO THE INVESTIGATION INVOLVING _____ (Grade)	
_____ (Name) _____ (Organization) (S) (ARE) NO LONGER	
REQUIRED AS EVIDENCE AND MAY BE DISPOSED OF AS INDICATED ABOVE. <i>If article(s) must be retained, do not sign, but explain in separate correspondence.</i>	
_____ (Typed/Printed Name, Grade, Title)	_____ (Signature) _____ (Date)
WITNESS TO DESTRUCTION OF EVIDENCE	
THE ARTICLE(S) LISTED AT ITEM NUMBER(S) _____, (WAS) (WERE) DESTROYED BY THE EVIDENCE CUSTODIAN, IN MY PRESENCE, ON THE DATE INDICATED ABOVE.	
_____ (Typed/Printed Name, Organization)	_____ (Signature)

USAFPC V1.00

ANNEX 3 FINANCIAL RECORDS RETENTION AND DISPOSITION DURING CONTINGENCY OPERATIONS

A. Purpose and Applicability

This annex provides guidance on the submission of necessary documents and reports during contingency operations in order to provide pertinent information to the designated accounting site. It addresses the duties, responsibilities, and procedures to be followed by the disbursing officers and certifying officers when providing disbursement services during contingency operations.

B. Responsibilities

The disbursing officer or his designee shall ensure that all original disbursing officer records and associated papers are retained as government property as cited in Volume 5, Chapter 15. These records shall be readily accessible to the disbursing officer for 6-years period consistent with guidance in the National Archives and Records Administration, General Records Schedules or in accordance with the specific record schedules authorized for their DoW Components. Extension to this record retention period may be warranted on a case-by-case basis.

C. Procedures

1. All disbursing officers will keep a daily report of all transactions processed.
2. All disbursement documents shall be supported by either hard copy or readable machine source records to ensure that:
 - a. A legal obligation to pay exists (typically a contract);
 - b. The payee has fulfilled any prerequisites to payment (typically an invoice and receiving report);
 - c. The amount of the payment and identity of the payee are correct;
 - d. The payment is legal under the appropriation or fund involved (typically the correct fiscal year and appropriation); and
 - e. The documentation links together all records and supports an audit of certifying and disbursing officer transactions as required by law. In addition, a copy of the spending plan must be retained with the original disbursement vouchers.
3. If disbursements are made in cash, the voucher should be receipted by the vendors and/or receipts from the vendors should be attached to the vouchers.
4. The designated accounting site must issue specific accounting and document retention and disposition requirements for paid vouchers. These requirements must be satisfied within 30 days of the payment.

5. The original collection and disbursement vouchers shall be forwarded with the DD Form 2657 (Daily Statement of Accountability) to the designated accounting site as soon as possible after the close of the business day. Disbursing officers shall take extra precautions to ensure that all copies prepared for distribution are completely legible. Additional guidance on the assembly and transmittal of financial reports can be found in Volume 5.

6. Original paid vouchers shall be safeguarded consistent with standard security regulations prescribed in Volume 5.

7. Payments using vested and seized funds shall be made and documented consistent with Volume 5.

8. All vested and seized funds shall be delivered, transported and safeguarded consistent with Volume 5.

ANNEX 4 DEVELOPMENT OF FUNDING REQUIREMENTS FOR VESTED AND SEIZED PROPERTY

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the government or designated interim government when working to identify and develop requirements for spending plans in restoring and rebuilding the host country for its people. There may be multiple funding sources available for the purpose of stabilization, reconstruction and humanitarian assistance for the benefit of the local people.

B. Responsibilities

1. It is the responsibility of the appointed/designated officials and coalition commanders to explain the requirements for obtaining vested and seized property for projects that achieve the mission of the designated government.

2. Local designated governmental officials and coalition commanders are responsible for requesting funding from vested and seized assets to accomplish approved projects and requirements by submitting the appropriate funding request form to the designated review board.

3. The majority of funding requirements are expected to be included in the interim government budgets. However, unanticipated or emergency requests will be accepted by the designated review board for consideration. The local government offices shall prepare complete funding request forms to request funding for requirements not addressed in budget submissions.

C. Procedures

1. The funding request form will be reviewed in accordance with the interim government process for the allocation of funds. The designated committee, will conduct the initial review of all program funding requests and project submissions, categorize them, and make recommendations to the designated review board for the allocation of vested and seized funds.

The designated review board is responsible for preparing and submitting allocation requests to the Administrator for approval. The designated review board requests will include proposed allocations of available resources. The specific roles, responsibilities, and membership of the interim government designate review board will be determined at the formation of the interim government. For approved projects using Seized and Vested Assets, the interim government is the final authority. After the interim government approval, the interim government comptroller will provide the appropriate funding form and related decision documents to the OUSW(C) and the designated Executive Agent budget office.

2. Once funding requests are approved by the Administrator, the requestor must submit a completed Standard Form 1034 (Public Voucher for Purchases and Services Other Than Personal), along with a spending plan to the interim government comptroller for the disbursement of funds. A spending plan is a plan describing the purposes and amounts of proposed expenditures of vested and seized property, developed by the host nation or the interim government, and submitted through appropriate channels for approval.

ANNEX 5 ALLOCATION, DISBURSEMENT, AND FINANCIAL REPORTING OF VESTED AND SEIZED PROPERTY

A. Purpose and Applicability

This annex applies to all parties involved in the receiving, disbursing, accounting for, securing, and reporting of vested and seized property. Specific procedures to accommodate each contingency operation must be developed to ensure accountability and transparency of vested and seized property. Policy memorandums specific to each on-going contingency operation will be maintained on the Department of War Financial Management Regulation website at Volume 12, Special Accounts, Funds and Programs; Policy Memorandums.

B. Responsibilities

1. Coalition Government Responsibility. The coalition government (or interim government) is responsible for identifying program requirements, identifying appropriate funding sources for requirements, initiating reprogramming actions when needed, maintaining program accountability, fund certification, certifying receipt of goods, services, and payroll, and certifying disbursement of funds.

2. The Designated Executive Agent (Resource Management) Responsibility. The Executive Agent (Resource Management) is responsible for:

- a. Providing commitment accounting support documentation;
- b. Providing obligation transactions input to the designated accounting site for processing into the appropriate accounting system;
- c. Monitoring fund execution; and
- d. Certifying all required financial reports.

3. Disbursing Officer (DO) Responsibility. The DO is responsible for:

- a. Processing DD Form 1131 (Cash Collection Voucher) for seized assets and SF 5515 (Debit Voucher) for vested assets to increase cash balances;
- b. Disbursing cash to host nation authorized payees;
- c. Processing disbursements in the appropriate disbursing system; and
- d. Transferring SF 1034s (Public Voucher for Purchases and Services Other Than Personal) and SF 44s (Purchase Order-Invoice-Voucher) and support documents to the designated accounting site promptly.

4. The Designated Accounting Site. The designated accounting site shall maintain the accounting database and prepare, certify, and process SF 1081s (Voucher and Schedule of Withdrawal and Credits) based upon receipt of the Funding Authorization Documents (FADs); post disbursement and obligation transactions processed by the designated disbursing office to the appropriate accounting system; and maintain documentation for future review and audit. In addition, to record an increase in the DO's accountability under general ledger control, the designated accounting site will prepare an Optional Form 1017-G – Journal Voucher (OF 1017-G, Figure 5-1) upon receipt of the monthly SF 1219 (Statement of Accountability) from the DO.

C. Procedures

1. Program Control Procedures

- a. Specific procedures shall be developed to accommodate the unique circumstance of each contingency operation.
- b. Cash accountability will be maintained on the DO's DD 2657 (Daily Statement of Accountability) and monthly SF 1219.
- c. The designated accounting site will determine the appropriate accounting system to be used as the book of original entry.
- d. The Executive Agent shall monitor execution of funds.
- e. All collections and disbursement transactions are reported on the disbursing officer's SF 1219 (Statement of Accountability).

2. Funds Management Procedures

- a. Fiscal Coding and Management Structure. The Executive Agent, in coordination with the designated accounting site, will establish the fiscal coding and management structure, including monthly and annual reporting levels, budget activities, and project codes. The coding structure and budget activities are established per Treasury and the Office of Management and Budget guidance received and in coordination with the host nation.

b. Vested Assets. Vested assets are funds vested in Treasury by operations of domestic law. A special Treasury General Fund Account Symbol shall be used to record cash deposits and disbursements of vested funds. This unique account shall be used only for the purpose designated for the use of vested funds.

c. Seized Assets. Seized funds are cash and property confiscated by coalition forces during military operations and governed by the laws and usages of war. A special Treasury Deposit Fund Account Symbol shall be used to record seized assets after validation by the designated Federal Reserve Bank. This unique account shall be used only for the purpose designated for the use of seized funds.

d. Detailed Accounting Codes. The host nation's comptroller shall request detailed accounting transaction codes through the Executive Agent's headquarters, from the designated accounting site, based on the fiscal coding and management structure established.

3. Disbursing Operations and Cash Accountability Procedures

a. The coalition government must provide certifying official appointment letters and signature cards, DD Form 577 (Appointment/Termination Record – Authorized Signature) to the DO for all host nation personnel that will certify SF 44s or SF 1034s for payments.

b. Prior to disbursing, the coalition government shall obtain validated, detailed documentation to support payment of payrolls, utilities, and other goods and services from the designated host nation officials. For accountability purposes, supporting documentation from automated local payment systems should be used if they are determined to be available and adequate. The coalition government shall obtain from host nation officials organizational listing(s) of individuals authorized to receive payment at the designated payment site(s), and the amount each individual is to be paid. The host nation will certify the payment vouchers and present to the DO for payment. The DO and the host nation shall follow customary local practices for validation of, and payment for, normal and/or recurring utilities and other goods and services. The host nation will ensure adequate controls are in place by utilizing supporting documentation from local officials to ensure goods and services were received.

c. The host nation shall prepare and submit a memorandum to the DO, including the date, time, location, number of payees, and amount of money to be disbursed at each site. The DO shall disburse funds based on the amount of the certified voucher. The designated disbursing or paying agent will provide supporting documentation for the additional funds. The DO will advance funding to the disbursing or paying agent via a DD Form 1081 (Statement of Agent's Accountability). After the paying agent has finished making payments, he/she will use the payroll plus any additional payments added to the payroll to balance with the DO.

d. The host nation's representative appointed as the certifying official will certify the payment(s), and will date and sign the payment voucher.

e. Payments made using seized and vested funds shall be certified in a manner consistent with Volume 5.

f. Paying agents responsible for making disbursements of vested and seized funds shall be appointed consistent with Volume 5.

4. Delivery of Funds Procedures

a. A host nation's fund custodian or paying agent will deliver the funds to the designated pay site(s). Designated cashiers or designated local representatives will sign a receipt acknowledging receiving the funds and make payments at the designated pay site(s). The cashiers will acknowledge receipt from the disbursing agent on a DD Form 1081. Designated host nation representatives will verify the amount and date, and then sign as the payee on the SF 1034 or SF 44. The host nation appointed task force will ensure, insofar as practicable, that designated coalition representatives properly secure funds at the designated pay site(s) and/or while transporting funds to remote sites.

b. The cashiers and/or designated host nation representatives shall disburse funds to designated individuals or service providers. All disbursements shall be documented with a certified voucher with supporting documentation to validate who received the funds and the purpose that the funds will be used.

(1) For Payrolls. Individuals must present proper/valid identification, and acknowledge receipt of payment by signing the payroll list or other appropriate form.

(2) For Payment of Utilities and Other Goods and Services. The host nation shall appoint paying agents in accordance with Volume 5. The DO shall brief all cashiers and paying agents on their responsibilities and pecuniary liability for funds. A properly certified voucher with supporting documentation (receipt and invoice) must be presented when disbursing for other than payroll.

c. Paying agents will be advanced funds on a DD Form 1081, "Statement of Agent Accountability". The paying agent will disburse funds based on a properly certified SF 44 or SF 1034. Any funds not disbursed that are remaining after the mission is completed and all disbursements have been made will be returned to the DO using a DD Form 1081 and DD Form 2665. The paying agent will use the certified disbursed vouchers to balance with the remaining funds and the advancing DD Form 1081. The host nation comptroller will conduct weekly reviews of any balances on hand at the designated local payment sites. The host nation comptroller shall also review supporting documentation to validate beginning balances, all disbursements and ending cash balances. The host nation comptroller shall verify cash on-hand matches the ending cash balance and that the funds are properly secured. Any funds returned from the designated local payment sites to the host nation comptroller will be collected into the DO's accountability using a DD Form 1131.

5. Paying Operations Procedures

a. **Purchasing Officer Appointments.** The host nation contracting activity must appoint purchasing officers. Purchasing officers are appointed to purchase goods and services, and are authorized to make such purchases via the SF 44.

b. **Paying Agent Appointments.** Paying agents must be appointed to pay for commercial services or supplies in support of purchasing officers.

(1) Requests for paying agents must be made in writing to the DO.

(2) Host nation commanders authorized to appoint paying agents shall do so in writing in accordance with Volume 5. The DO must appoint cashiers from the local finance command. The DO shall brief them on the responsibilities and potential pecuniary liability for funds.

(3) Paying agent appointments may be for either a specific transaction or a specified period of time.

(4) Appointed paying agents may not serve concurrently as purchasing officers and may not be charged with the handling or custody of any other funds.

6. Disbursing Procedures

a. The host nation comptroller shall prepare a memorandum to the DO providing date, time, location, number of paying agents, names of the paying agents, and amount of money to be disbursed to each paying agent.

b. The DO or disbursing agent will advance the funds to the appointed paying agent(s) using DD Form 1081. The paying agent shall sign the DD Form 1081 as a receipt for the funds.

c. The paying agent will disburse funds in accordance with the purchasing officer's authorization. The purchasing officer and the paying agent will use the SF 44 to make purchases and payments. The purchasing officer will sign and certify the SF 44.

d. The SF 44 must be signed by the paying agent and the individual receiving the funds.

e. The paying agent must keep the original SF 44 with all signatures. Upon mission completion, the paying agent must return all supporting documentation (e.g., original receipts and SF 44s) and remaining cash to the DO in country or designated government financial activity in order to clear the DD Form 1081.

f. The host nation comptroller will authorize any replenishment of funds. The host nation comptroller certifying official must prepare another memorandum to the DO requesting additional funds. A new DD Form 1081 will be prepared by the DO.

g. Imprest fund cashiers will not be utilized. Purchasing agents appointed by the host nation comptroller-designated government procurement activity will be used to make small purchases, as needed. Disbursing agents will disburse payments based on certified vouchers provided by an appointed certifying officer.

7. Reconciliation Procedures

a. The host nation comptroller and designated accounting site shall conduct a joint reconciliation of commitments and obligations in accordance with Volume 3, Chapter 8. Additionally, the DO and designated accounting site will need to follow existing requirements associated with reporting and reconciliation of DO deposit fund accounts.

b. The DO and cashiers shall follow standard daily balancing procedures as identified in the Volume 5. Additionally, quarterly cash verifications will be conducted in accordance with Volume 5.

c. The host nation reports required in Annex 7 will require reconciliation of Program Review Board approved projects versus disbursements.

8. Audits and Program Reviews

The administration, use, and accounting of seized and vested assets will be subject to periodic audits by the Department of War's internal audit organizations, including the Office of Inspector General, as well as external organizations such as the Government Accountability Office and congressional oversight committees. All officials responsible for administering vested and seized assets shall cooperate fully with any review, audit, or investigation conducted by such organization.

Figure 5-1. Journal Voucher

Optional Form 1017-G (9-79) Title 7, GAO Manual 501017-810			
JOURNAL VOUCHER			
J.V. No. 25 Date 5 May 20XX			
REFERENCE DEBIT VOUCHER # 475129	EXPLANATION Transfer Vested Funds From FRB ON SF 5515. OF1017G will be used to increase the DO accountability under General Ledger control. The account to be cited is : XX X XXXX XXXXX (Treasury Account Symbol will be established) DSSN: 8551 DATE OF SF 5515: 5 May 2003	DEBIT	CREDIT 20,000.000.00
	Total		20,000.000.00
Prepared By <u>Darrell Johnson</u> (Signature)		Approved By <u>Hank Snow</u> (Signature)	
<u>Deputy Disbursing Officer</u> (Title)		<u>Deputy Disbursing Officer</u> (Title)	

ANNEX 6 MONTHLY INVENTORY REPORT OF SEIZED PROPERTY

A. Purpose and Applicability

This annex addresses the duties, responsibilities and procedures to be followed by the designated DO or designated government financial activity supporting the host nation's interim government in preparing monthly reporting of vested and seized property.

B. Responsibilities

The designated Executive Agent having custody of the seized assets shall prepare monthly reports describing all vested and seized property in the possession of host nation officials. These reports shall distinguish between vested and seized property.

The designated Executive Agent having custody of the seized assets shall submit the monthly reports under cover memorandum to the host nation and the OUSW(C), with copies furnished to the Principal Deputy Under Secretary of War (Comptroller), and the Director, the appointed Executive Agent's Resource Management Directorate no later than close of the fifth business day of the month following the month being reported.

C. Reporting Procedures

1. Follow the attached sample report format (Figure 6-1).

2. Instructions

a. Report Title - enter the name of the month and the year in the title of the report.

b. Line 1.A.1 – enter the beginning balance of the vested cash in possession of U.S. government officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the beginning balance for June will be the ending balance from May).

c. Line 1.A.2 – enter the amount of vested cash disbursed during the month being reported.

d. Line 1.A.3 – enter the amount of vested cash deposited to financial institutions and no longer in the possession of host nation officials.

e. Line 1.A.4 - enter the amount of collections.

f. Line 1.A.4.1 - this line will include the amount of cash collected back into the disbursing office.

g. Line 1.A.4.2 - enter the amount of vested cash collected during the month.

h. Line 1.A.5 - enter the total of Line 1.A.1 minus Line 1.A.2 minus Line 1.A.3 plus Line 1.A.4.1 plus Line 1.A.4.2 (Line 1.A.1 – Line 1.A.2 – Line 1.A.3 + Line 1.A.4.1 + Line 1.A.4.2). This is the amount of newly vested cash in the possession of host nation officials.

i. Table 1.B – Non-Cash Assets Vested and Divested – provide, in table format, a listing of vested non-cash property by category (e.g., jewelry, arms, equipment, artwork, etc.), a brief description and item count for such property in the possession of host nation officials. This table shall include a cumulative listing of all vested non-cash property in the possession of host nation officials.

(1) Column 1 – enter the category of the non-cash property.

(2) Column 2 – enter a brief description of the items within the category in Column 1.

(3) Column 3 – enter the beginning count of items in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the June beginning balance will be the May ending balance).

(4) Column 4 – enter the entity to which the host nation official divested the non-cash property.

(5) Column 5 – enter the count of items divested.

(6) Column 6 – enter the sum of Column 3 minus Column 5 (Column 3 – Column 5).

j. Line 2.A.1 – enter the beginning amount of seized cash (US dollars) in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the beginning balance for June will be the ending balance from May).

k. Line 2.A.2 – enter the amount of seized cash (U.S. dollars) verified as authentic currency during the reporting period and available for disbursement.

l. Line 2.A.3 – enter the amount of seized cash verified as counterfeit.

m. Line 2.A.4 – enter the sum of Line 2.A.1 minus Line 2.A.2 minus Line 2.A.3 (i.e., Line 2.A.1 – Line 2.A.2 – Line 2.A.3). This amount represents the amount of seized cash (U.S. dollars) in the possession of host nation officials that has not been verified as authentic currency and available for disbursement.

n. Line 2.A.5 – for the first monthly report enter 0.00 (zero). After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the beginning balance for June will be the ending balance from May).

o. Line 2.A.6 – enter the amount of seized cash (U.S. dollars) verified as authentic currency during the month and available for disbursement.

p. Line 2.A.7 - enter the amount of seized cash (U.S. dollars) disbursed during the month being reported.

q. Line 2.A.8 – enter the amount of seized cash (U.S. dollars) deposited to financial institutions and no longer in the possession of host nation officials.

r. Line 2.A.9 – enter the amount of seized cash (U.S. dollars) collected during the month. This amount will include the amount of cash collected back into the disbursing office.

s. Line 2.A.10 – enter the sum of Line 2.A.5 minus Line 2.A.6 minus Line 2.A.7 plus Line 2.A.8 plus Line 2.A.9 (i.e., $\text{Line 2.A.5} - \text{Line 2.A.6} - \text{Line 2.A.7} + \text{Line 2.A.8} + \text{Line 2.A.9}$).

t. Table 2.B – Coin/Currency (Non-U.S. dollars) – enter, in table format, a listing of seized coin/currency (Non-U.S. dollars), by country, monetary unit (franc, pound, Canadian dollar, etc.) and amount, in the possession of host nation officials.

(1) Column 1 – enter the name of the country and monetary unit of seized coin/currency (Non-U.S. dollars) in the possession of host nation officials.

(2) Column 2 – enter the beginning count of items in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the June beginning balance will be the May ending balance).

(3) Column 3 – enter the entity to which the host nation official released the coin/currency (Non-U.S. dollars).

(4) Column 4 – enter the amount of the coin/currency (Non-U.S. dollars) released.

(5) Column 5 – enter the sum of Column 2 minus Column 4 ($\text{Column 2} - \text{Column 4}$).

u. Table 2.C – Non-Cash Assets – enter, in table format, a listing of seized non-cash property by category (e.g., jewelry, arms, equipment, artwork, etc.), a brief description and item count in the possession of host nation officials.

(1) Column 1 – enter the category of the non-cash assets.

(2) Column 2 – enter a brief description of the items within the category in Column 1.

(3) Column 3 – enter the beginning count of items in the possession of host nation officials. After the first monthly report, the beginning balance will be the ending balance of the previous month (e.g., the June beginning balance will be the May ending balance).

(4) Column 4 – enter the entity to which the host nation official released the non-cash assets.

(5) Column 5 – enter the count of items released.

(6) Column 6 – enter the sum of Column 3 minus Column 5 (Column 3 – Column 5).

v. The disbursing officer certifies the accuracy of the data on the report by signing and dating the report.

w. Footnote the amount of non-U.S. currency in possession of the host nation, but not verified as of the end of the reporting period, and the verified amount of counterfeit U.S. currency for the reporting period.

Figure 6-1. Sample Monthly Inventory Report of Vested and Seized Assets for the Month Ending December 2007

1. VESTED ASSETS

A. CASH

1. Beginning Balance \$1,700,000,000.00
2. Less: Disbursements 500,000,000.00
3. Less: Deposits to Financial Institutions 100,000,000.00
4. Plus: Collections 100,000,000.00
 - 4.1 Cash collected back into DO \$70,000,000.00
 - 4.2 Newly Vested Cash in possession
of Host nation Officials \$30,000,000.00
5. Ending Balance \$1,200,000,000.00

B. NON-CASH PROPERTY VESTED AND DIVESTED (Table 1.B)

1. CATEGORY	2. DESCRIPTION	3. BEGINNING COUNT	4. DIVESTED TO	5. COUNT DIVESTED	6. ENDING COUNT
Jewelry	Gold rings	50			50
Arms	Pistols	5			5
Artwork	Oil Painting	2	Museum	2	0

2. SEIZED ASSETS

A. CASH (U.S. DOLLARS)

1. Beginning Amount Seized \$650,000,000.00
(Unverified)
2. Amount Verified 50,000,000.00
(Available for Disbursement)
3. Amount Verified
(Counterfeit) 10,000,000.00

Figure 6-1. Sample Monthly Inventory Report of Vested And Seized Assets for the Month Ending December 2007 (Continued)

4. Ending Amount Seized 590,000,000.00
(Unverified)
5. Beginning Amount Verified 0.00
(Available for Disbursement)
6. Plus: Amount Verified This Period 50,000,000.00
7. Less: Disbursements 25,000,000.00
8. Less: Deposits to Financial Institutions 0.00
9. Plus: Collections 0.00
10. Ending Amount Verified
(Available for Disbursement) \$25,000,000.00

B. COIN/CURRENCY (NON-U.S. DOLLARS) SEIZED AND RELEASED
(Table 2.B)

1. COUNTRY AND UNIT	2. BEGINNING AMOUNT	3. RELEASED TO	4. AMOUNT RELEASED	5. ENDING AMOUNT
Italian lira	60			60
Canadian dollar	200			200
Any foreign currency	1,000	Any Central Bank	1,000	0

C. NON-CASH ASSETS SEIZED AND RELEASED (Table 2.C)

1. CATEGORY	2. DESCRIPTION	3. BEGINNING COUNT	4. RELEASED TO	5. RELEASED COUNT	6. ENDING COUNT
Jewelry	Gold bracelets	10			10
Equipment	Tanks	1	Coalition Forces	1	0
Equipment	100mm howitzer	4			4

Footnote: Include amount of non-U.S. currency in possession of the host nation, but not verified as of the end of the reporting period.

Footnote: Include verified amount of counterfeit U.S. currency.

Disbursing Officer Signature _____ Date _____

ANNEX 7 MONTHLY DISBURSEMENT REPORT

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the host nation's interim government in preparing monthly disbursement reports for vested and seized assets.

B. Responsibilities

The host nation interim government shall prepare monthly reports describing the purposes, amounts and recipients of all cash disbursements of vested and seized assets. This report will include cash disbursements only; non-cash assets, including coin/currency (non-U.S. dollars), either divested or released, are reported in the Monthly Inventory Report of Vested and Seized Assets (Annex 6, Figure 6-1). These reports shall distinguish between disbursements of vested and seized assets. The report must be reconciled with official accounting records.

The host nation interim government shall submit the monthly reports under cover memorandum to the OUSW(C), with copies furnished to the Director, Resource Management, of the designated Executive Agent, no later than close of the tenth business day of the month following the month being reported.

C. Reporting Procedures

1. Follow the report format at Figure 7-1.

2. Instructions

a. Table 1 – Vested Assets

(1) Column 1 – enter a brief description of the purpose for the cash disbursements. The descriptions should be the same as the descriptions shown on the spending plans (Annex 4).

(2) Column 2 – enter a brief description of the recipients of the cash disbursements. The detail information regarding the entity receiving the cash disbursements is required as part of the supporting documentation to the disbursement vouchers as provided for in the Procedures section for host nation interim government (Annex 5).

(3) Column 3 – enter the dollar amount of the cash disbursements.
NOTE: the total of Column 3 will be reported on the Monthly Inventory Report of Vested and Seized Assets, Line 1.A.2 (Annex 6, Figure 6-1).

b. Table 2 – Seized Assets

(1) Column 1 – enter a brief description of the purpose for the cash disbursements. The descriptions should be the same as the descriptions as shown on the spending plans (Annex 4).

(2) Column 2 – enter a brief description of the recipients of the cash disbursements. The detail information regarding the individual recipients of the cash disbursements is required as part of the supporting documentation to the disbursement vouchers as provided for in the Procedures section for the host nation interim government (Annex 5).

(3) Column 3 – enter the dollar amount of the cash disbursements.
NOTE: The total of Column 3 will be reported on the Monthly Inventory Report of Vested and Seized Assets, Line 2.A.7 (Annex 6, Figure 6-1).

c. The disbursing officer certifies the accuracy of the data on the report by signing and dating the report.

Figure 7-1. Sample Monthly Disbursement Report for the Month Ending December 2007
VESTED ASSETS (Table 1)

1. PURPOSE	2. RECIPIENTS	3. AMOUNT
Monthly Payroll	Oil Workers	\$25,000,000.00
Security Alarms	Museum	\$50,000,000.00
TOTAL		\$75,000,000.00

SEIZED ASSETS (Table 2)

1. PURPOSE	2. RECIPIENTS	3. AMOUNT
Monthly Payroll	Oil Workers	\$25,000,000.00
Security Alarms	Museum	\$50,000,000.00
TOTAL		\$75,000,000.00

Disbursing Officer, Host Nation Interim Government

DATE

ANNEX 8 REPORTING OF VESTED AND SEIZED ASSETS ON THE DOD FINANCIAL STATEMENTS

A. Purpose and Applicability

This annex addresses the duties, responsibilities, and procedures to be followed by the designated Executive Agent and the Defense Finance and Accounting Service (DFAS) in preparing consolidated financial statements in support of the host nation interim government's vested and seized assets.

B. Responsibilities

The Executive Agent and DFAS are responsible for reporting activity of vested and seized assets on the DoW consolidated financial statements.

C. Procedures

1. Seized asset activity shall be reported on the Executive Agent's financial statements and the DoW consolidated financial statements. These activities relate to the receipt, management, and disposition of cash and negotiable instruments held by the DoW. Nonentity seized cash will be included as Fund Balance with Treasury on the face of the DoW consolidated Balance Sheet and the Executive Agent's Balance Sheets. The Nonentity Assets Note to the financial statements shall contain sufficient disclosure to provide the reader with an understanding of the source of the seized assets, applicable laws and regulations, and how the assets were used.

2. Vested asset activity shall be reported in the General Fund financial statements of the Executive Agent and on the DoW consolidated financial statements. Vested assets will be distinguishable from other entity assets only in the footnotes to the financial statements. The note to the financial statements shall contain sufficient disclosure to provide the reader with an

understanding of the source of the vested assets, applicable laws and regulations, and how the assets were used.

3. Additional information regarding financial statement reporting can be found in Volume 6B and the DFAS Financial Reporting Guidance, “Annual and Quarterly Financial Statement Guidance,” on the OUSW(C) website.

24.0 OPERATION AND USE OF GENERAL GIFT FUNDS

24.1 Designations

Refer to Volume 12 Policy.

24.2 RESPONSIBILITIES

24.2.1. OSW Components

OSW Components and Acceptance Authority designees must ensure compliance with the policy in this chapter and must establish procedures to ensure personnel are familiar with the restrictions on accepting gifts and requirements for receiving, recording, reporting, and accounting for gifts.

24.2.2. Military Departments

The Secretaries of the Military Departments and Acceptance Authority designees must ensure compliance with policy in this chapter and establish procedures to ensure personnel are familiar with the restrictions on accepting gifts and requirements for receiving, recording, reporting, and accounting for gifts.

24.2.3. DFAS

DFAS is responsible for the accounting, investing, and reporting of all monetary gifts and proceeds from the sale of real property or personal property gifts accepted by the Acceptance Authorities and forwarded to DFAS as prescribed in section 24.4.

24.2.4. USW(P&R)

USW(P&R) must establish procedures for verifying the eligibility of individuals to receive benefits and may authorize the development of additional procedures for receiving gifts.

24.3 Acceptance

24.3.1. Acceptance of Gifts for Military Musical Units, Accounting for Missing Persons, Museum Programs, U.S. Service Academies, and the Uniformed Services University of the Health Sciences (USUHS) can be found in the Procedures document

24.3.1.1. Military Musical Units. Monetary contributions, personal property, or services for the benefit of a military musical unit may be accepted by the SecWar and Secretaries of the Military Departments. Any monetary contributions must be credited to the corresponding appropriation or account, subject to the same purposes, conditions, and limitations as the funds in that account.

24.3.1.2. Accounting for Missing Persons. Gifts including personal property, money, or services for the purpose of facilitating accounting for missing persons may be accepted, held, administered, spent, and used. All monetary gifts and bequests accepted must be deposited in the DoW General Gift Fund.

24.3.1.3. Museum Programs. Gifts such as books, manuscripts, works of art, historical artifacts, drawings, plans, models, or condemned or obsolete combat materiel may be solicited from a bona fide collector for military museum programs. The military museum program may accept a gift of services from a nonprofit entity established to support the program. Nonprofit entity personnel who provide a gift of services may not be employed within the U.S.

24.3.1.4. U.S. Service Academies. Gifts of real property can be accepted for the U.S. Military Academy, the Naval Academy, the Air Force Academy, and the Coast Guard Academy. These gifts can be accepted even if the gift is subject to the condition that the property bears a specified name. The Secretary of the Military Department responsible for the respective Service Academy has the authority to accept such gifts.

24.3.1.5. Uniformed Services University of the Health Sciences (USUHS). Any gift, devise, or bequest of personal property made to the University, including those in the support of an academic chair, teaching, research, or demonstration project may be accepted, held, administered, invested, and spent. This authority is delegated to the USW(P&R) and may be further delegated by the USW(P&R) in writing to the Assistant Secretary of War for Health Affairs and/or to the President, USUHS, but may not be delegated below the President, USUHS.

24.3.2. Circumstances to Decline Acceptance

Acceptance Authorities must decline gifts under the following circumstances identified in the Procedures document:

24.3.2.1. The use of the gift is connected with any program, project, or activity that would result in the violation of any prohibition or limitation otherwise applicable to such program, project, or activity;

24.3.2.2. The gift or conditions attached to the gift are inconsistent with applicable law or regulations;

24.3.2.3. The use of the gift would reflect unfavorably on the DoW's ability, or any personnel of the Department, to carry out any responsibility or duty in a fair and objective manner;

24.3.2.4. The use of the gift would compromise the integrity or appearance of integrity of any program of the DoW or any individual involved in such a program; and

24.3.2.5. Acceptance of the gift would not be in the best interests of the DoW, including but not limited to the following, where it creates or requires:

24.3.2.5.1. The appearance or expectation of favorable consideration because of the gift;

24.3.2.5.2. The appearance of an improper endorsement of the donor, its events, products, services, or enterprises;

24.3.2.5.3. A serious question of impropriety considering the donor's present or prospective business relationships with the DoW;

24.3.2.5.4. The expenditure or use of funds more than amounts appropriated by Congress;

24.3.2.5.5. Substantial expenditures or administrative efforts and maintenance that are disproportionate to any benefit;

24.3.2.5.6. Gift acceptance or the imposition of naming rights that would not reflect favorably upon the DoW; or

24.3.2.5.7. The real property subject to the gift naming condition has not been named by an act of Congress.

24.3.3. DoW Personnel Policy Only

24.3.4. Related Expenses Policy Only

24.3.5. Offers from Prohibited Sources Policy Only

24.3.6. Acknowledgement of Future Gifts Policy Only

24.3.7. Acceptance through Intermediaries Policy Only

24.3.8. Accepting Gifts to Benefit Certain Members, Dependents, and Civilian Employees

24.3.8.1. Acceptance Authorities must consult with their appropriate Ethics Official before accepting gifts valued more than \$10,000 to ensure that:

24.3.8.1.1. The gift is not offered in a manner that specifically discriminates among DoW personnel based on type of official responsibility or of favoring those of higher rank or rate of pay; and

24.3.8.1.2. The donor does not have interests that may be affected substantially by the performance or nonperformance of the DoW employee's official duties.

24.3.8.2. Acceptance Authorities may not accept a gift of services from a foreign government or international organization. They may accept a gift of money, real property, or personal property from a foreign government or international organization only if the gift is not designated for a specific individual.

24.3.9. Acceptance of Property Gifts with Naming Rights

24.3.9.3. The Secretary concerned or designee must decline conditional gifts offered unless the donor agrees in writing that the Military Department retains the right to remove or alter the name if a determination is made that:

24.3.9.3.1. The donor has committed an immoral act or engaged in unethical conduct;

24.3.9.3.2. The donor has engaged in activities that reflect unfavorably on the U.S.;
or

24.3.9.3.3. A subsequent donor offers to significantly alter a facility, and such gift is worthy of receiving naming rights.

24.4 Receipt

24.4.1. Monetary Gifts

24.4.2. Gift Fund Accounts

Gifts of money and the proceeds of the sale of property gifts must be deposited in the following Treasury accounts:

24.4.2.1. The DoW General Gift Fund in the case of deposits made by the SecWar or SecWar Acceptance Authority designees.

24.4.2.2. The Department of the Army General Gift Fund, in the case of deposits made by the Secretary of the Army or Secretary of the Army Acceptance Authority designees.

24.4.2.3. The Department of the Navy General Gift Fund, in the case of deposits made by the Secretary of the Navy or Secretary of the Navy Acceptance Authority designees.

24.4.2.4. The Department of the Air Force General Gift Fund, in the case of deposits made by the Secretary of the Air Force or Secretary of the Air Force Acceptance Authority designees.

24.4.3. Accounting Transactions

24.5 Records and Reports

24.5.1. Records

24.5.1.2. Acceptance Authorities must ensure that the following information for items sold is documented and retained:

24.5.1.2.1. A description of each item sold;

24.5.1.2.2. The name of the donor for each item sold;

24.5.1.2.3. The date each item was sold;

24.5.1.2.4. The name of the purchaser for each item sold;

24.5.1.2.5. The proceeds of the item sold;

24.5.1.2.6. Details of any relevant specific information regarding each item sold; and

24.5.1.2.7. If applicable, the unique identifier or data element used to track the same or similar non-monetary item such as a Real Property Unique Identifier from the DoW Real Property Unique Identifier Registry or accountable property data elements (see property accountability policy cited in paragraph 24.7).

24.5.2. Reports

24.5.2.1. DFAS Standards and Compliance (Corporate Reporting) must develop and require a standardized report for Acceptance Authorities or designees to report the following information to DFAS on a quarterly basis.

24.5.2.1.1. A description of the gift;

24.5.2.1.2. The value of the gift (estimated value if non-monetary) and the valuation method used;

24.5.2.1.3. The name and address of the donor(s);

24.5.2.1.4. The date each gift was received;

24.5.2.1.5. The expected useful life of the gift (the length of time in which a depreciable asset is expected to be used);

24.5.2.1.6. Details of any conditions, restrictions, or other relevant specific information regarding each gift;

24.5.2.1.7. If applicable, a unique identifier or data element used to track the same or similar non-monetary items received or shipped from different sources;

24.5.2.1.8. Statement explaining the benefits of accepting the gift; and

24.5.2.1.9. The authority under which the gift was accepted.

24.5.2.2. Acceptance Authorities must report the information in the reports for all monetary gifts and real property gifts along with personal property gifts and services with a unit value of \$5,000 or more to the DFAS office servicing each Secretary (Defense, Army, Navy, and Air Force) not later than 10 days after the end of each quarter. Monetary, real property, and personal property gifts must be reported separately.

24.5.2.3. Acceptance Authorities must prepare a separate report entitled "Donations to Military Musical Units under 10 U.S.C. § 974(d)". The report must be submitted to Congress annually for all gifts accepted during the fiscal year by Military Musical Units. A copy of the report must be provided to the OUSW(C), Deputy Chief Financial Officer; and the Office of the Assistant Secretary of War for Public Affairs, Community Relations division.

24.5.2.4. The DFAS Standards and Compliance (Corporate Reporting) must prepare a report containing the following information and forward the information to the OUSW(C), Deputy Chief Financial Officer no later than 30 days after the end of each quarter:

24.5.2.4.1. Separate summary values for monetary and non-monetary gifts accepted during the quarter and the authority under which the gift was accepted; and

24.5.2.4.2. A description of all property valued at more than \$1 million. In determining whether the \$1 million threshold has been met, the following criteria must be used:

24.5.2.4.2.1. The cumulative value of similar items accepted during the quarter; and

24.5.2.4.2.2. The cumulative value of components which, if assembled, would comprise all or a substantial portion of an item or facility.

24.6 Investments

24.6.1. Invest general gift funds in Government securities until distribution is authorized and consistent with good cash management practices;

24.6.2. Follow standard operating procedures related to the respective Gift Fund Accounts for purchasing Government securities;

24.6.3. Follow standard operating procedures to initiate and complete the sale of Government securities;

24.6.4. Maintain a tracking system that identifies impending maturities and collections of securities for the specified account and ensure appropriate reinvestment action is taken upon maturity of a security; and

24.6.5. Conduct an annual review of the account operations and transactions, including the purchase and the sale of Government securities. The objective of the review will include compliance with the DoW and the Treasury policies and procedures, and adequacy of internal controls.

25.0 DOD BRANDING AND TRADEMARK LICENSING PROGRAM

25.1 Responsibilities

25.1.1. Assistant Secretary of War for Public Affairs

The ASW(PA), in accordance with DoWD 5535.09, is the proponent agency for the DoW Branding and Trademark Licensing Program (BTLP) and has overall responsibility for the operation of the program, providing training, defining program costs, and establishing procedures to ensure the proper use of program funds.

25.1.2. DoW Components

The DoW Components operating a trademark licensing program under the provisions of 10 U.S.C. § 2260 and DoWD 5535.09 are responsible for ensuring that:

25.1.2.1. A single individual or office is designated within the DoW Component to review and approve all requests for the use of funds deposited into the Component's designated U.S. Department of the Treasury (Treasury) Account. The designated individual or office must be responsible for ensuring that all funds are used only for authorized purposes. To ensure an independent review of the request, no individual or office may both request and approve the use of such funds. The appointment of this person or office must be done in writing in the form of an appointment order or similar document. A copy of the appointment must be provided to the DoW Component's supporting representative at the Defense Finance and Accounting Service and to the Manager, DoW BTLP. A record of all requests for the use of funds and the action taken must be retained in accordance with Volume 1.

25.1.2.2. There is a complete and accurate accounting for all trademark licensing fees received.

25.1.2.3. All trademark licensing fees received by DoW Components are promptly deposited and recorded in the United States Standard General Ledger account 426600, which

provides direct budget authority on line 1800 of the Standard Form (SF) 132, Apportionment and Reapportionment Schedule, and SF 133, Report on Budget Execution and Budgetary Resources. DoW Components must obligate and disburse from the designated Treasury Account Symbol only for the purposes specifically authorized in 10 U.S.C § 2260. The use of suspense accounts is prohibited and any remaining balances must be transferred to the designated Treasury account. Guidance on processing collections can be found in Volume 5.

25.1.2.4. Fees collected are only used for payment of costs incurred in securing trademark registrations and operating the licensing program; and for support of Morale, Welfare, and Recreation (MWR) activities when fees available for a fiscal year exceed the amount needed for payment of such costs.

25.2 Accounting and Reporting

25.2.2. Reporting

Each DoW Component operating a trademark licensing program must provide the Manager, DoW BTLP, with the following financial reports. The Manager, BTLP, may issue guidance prescribing the required format of the reports and the specific information to be provided.

25.2.2.1. Quarterly Reports. The following quarterly reports must be forwarded to the Manager, DoW BTLP, within 30 days following the end of each calendar quarter.

25.2.2.1.1. Income and Expense Report. The Income and Expense Report must show the total fees received from trademark licensing during the preceding calendar quarter. It should also show the total costs paid for securing trademark registrations and the total costs paid for operating the trademark licensing program.

25.2.2.1.2. Other Quarterly Reports. The Manager, DoW BTLP may require other quarterly reports as the Manager deems necessary to assure compliance with DoWD 5535.09.

25.2.2.2. Annual Reports. The following annual reports must be forward to the Manager, DoW BTLP, within 45 days following the end of the fiscal year.

25.2.2.2.1. Trademark Account Fund Aging Report. The Trademark Account Fund Aging Report must show, in detail, the age of all funds currently in the DoW Component's Treasury Account for Trademark Licensing and the date on which those funds will expire.

25.2.2.2.2. MWR Funding Report. The MWR Funding Report must show all funds transferred during the preceding fiscal year to an MWR activity under the control of the Secretary concerned. If more than one MWR activity received funding, the report must identify each activity and the amount it received. If more than one trademark licensing program is operated by a DoW Component, separate reports must be issued for each program.

25.2.2.2.3. Other Annual Reports. The Manager, DoW BTLP may require other annual reports as the Manager deems necessary to ensure compliance with DoWD 5535.09.

26.0 COLLECTION AND RETENTION OF CONFERENCE FEES FROM NON-FEDERAL SOURCES

26.1.1. Conference

A “conference” is defined in the Joint Travel Regulations as a meeting, retreat, seminar, symposium, or event that involves attendee travel. The term conference also applies to training activities in accordance with Title 5, Code of Federal Regulations, section 410.404 (CFR § 410.404). Conferences subject to this authority are also often referred to as conventions, expositions, workshops, or exhibitions that typically involve topical matters of interest to, and the participation of, multiple agencies and/or non-governmental participants. The DoW Conference Guidance 4.0 identifies exemptions to the defined list of conferences.

26.1.2. Use of Contracts for Conference Planning, Organizing, or Management

DoW Components collecting fees by contract, to include contractors under no-cost contracts, are authorized to structure such contracts to permit contractors to offset from fees collected, the actual costs incurred by the contractor (to include its fee), in providing conference-related services. Fee collections in excess of such amounts must be credited to the appropriation from which other conference costs are payable. DoW Components must be responsible for all other provisions contained in this chapter, including the oversight regarding the setting of appropriate fee amounts, the reporting of fees collected, and costs paid by the contractor.

26.1.3. Reimbursement

Collection of conference fees into appropriations is subject to the general rules of appropriation reimbursement as well as specific rules stated in 10 U.S.C. § 2262. Fiscal limitations on expenditure of appropriated funds for conference expenses apply to the use of fees collected under 10 U.S.C. § 2262. In accordance with DoW Conference Guidance 4.0, revenue is all direct or indirect conference costs collected or reimbursed to the DoW by non-DoW entities. For the purpose of this guidance, revenue includes, but is not limited to registration fees collected, exhibitor fees collected, sponsor fees collected, and total conference costs. Total conference costs should be the net value of the conference expenses, less any fees or revenue received by the DoW through the conference.

26.1.4. Ethics and Fiscal Guidance

Ethics restrictions found in the Standards of Ethical Conduct for Employees of the Executive Branch are applicable to the execution of conferences. Also, follow guidance prescribed by the DoW Office of the General Counsel (see DoW Standards of Conduct Office) regarding Conference Sponsorship and Conference Planning. In addition, DoW conference managers should consult with their own component General Counsel to ensure compliance with applicable laws and regulations.

26.2 Responsibilities

26.2.1. Office of the Under Secretary of War (Comptroller)

26.2.1.1. Secretary and Deputy Secretary of War. The Secretary and Deputy Secretary of War are accountable for all of the Department's conference-related activities. Specifically, with overseeing the DoW's conference policies and controls, and maintaining visibility and accountability for the conduct of conferences hosted by the Department and attended by Department personnel through Component reporting as required by legislation. Agencies are obligated to ensure reporting requirements to Congress on conference costs and fees collected are met, in accordance with the Office of Management and Budget (OMB) Memorandum M-17-08 and section 739 of Public Law 113-235, "Consolidated and Further Continuing Appropriations Act of 2015," and reported through the DoW Conference Tool in adherence with the standards of the DoW Conference Guidance 4.0. Access to the DoW Conference Tool requires a DoW CAC.

26.2.1.2. DoW Performance Improvement Officer & Director of Administration & Management (PIO DA&M). Collaboratively ensures conferences are effective and aligned with DoW strategic goals. The PIO focuses on using conference data to provide advice and guidance on how to optimize the impact of conferences, while the DA&M provides administrative and management support for various functions, including conference planning and execution. The PIO DA&M web page maintains the DoW Hosted Conference Annual Reports and the Conference Submissions.

26.2.1.3. DoW Deputy Chief Management Officer. In accordance with the DoW Conference Guidance 4.0, and consistent with the guidance codified in the OMB Memorandum M-17-08, the DoW Deputy Chief Management Officer is responsible for DoW's conference oversight on behalf of the Secretary and Deputy Secretary of War, to include maintaining the DoW Conference Guidance 4.0 policy and controls, and executing the reporting requirements contained in section 320402. The Deputy Chief Management Officer is authorized to act on behalf of the Secretary and Deputy Secretary on all conference related matters.

26.2.2. Defense Finance and Accounting Service (DFAS)

DFAS must:

26.2.2.1. Establish a process for collecting data needed to meet conference fees statutory reporting requirements.

26.2.2.2. Ensure conference fee collections and disbursements are processed and recorded accurately and timely manner, consistent with DoW policy.

26.2.2.3. Take corrective action when issues accounting for these funds arise.

26.2.3. DoW Components

The DoW Components sponsoring conferences under the provisions of 10 U.S.C. § 2262 must:

26.2.3.1. Adhere to established chapter Office of Under Secretary of War (Comptroller) OUSW(C), Program/Budget reporting requests.

26.2.3.2. Develop and implement internal operating procedures and guidance to ensure complete, accurate, timely, and proper accounting and reporting for all conference fees collected and relevant financial data.

26.2.3.3. Ensure that conference fees collected are only used to offset associated allowable conference expenses. Use of registration fees to pay unallowable costs is prohibited, illegal, and improper and reduces the amount of fees that would otherwise be available to pay allowable costs.

26.2.3.4. Collaborate with DFAS to establish a process for collecting data needed to meet statutory reporting requirements.

26.2.3.5. As needed, provide training to employees on using this authority.

26.2.3.6. Monitor conference fee collections and disbursements to assess operational or financial problems.

26.2.3.7. Ensure all conference fees collected directly by the Government are promptly deposited and recorded in the appropriate account. When fees are collected by contract as described in paragraph 26.1.2, promptly deposit and record amounts that are in excess of actual conference costs offset by the contractor. To avoid having to credit excess fee collections to Miscellaneous Receipts, fees (attendance, vendor, and other) should be structured so as not to exceed the anticipated costs of the conference. Guidance on processing collections can be found in Volume 5.

26.2.3.8. Assist the OUSW(C) in any investigations into funding violations.

26.2.3.9. Determine the conference fee amounts that are in excess and promptly transfer to Receipt Account 3210, "General Fund Proprietary Receipts, Defense Military, Not Otherwise Classified. Excess fees collected must not be used to finance expenditures of a succeeding conference or for any other purpose. The statute does not allow the retention of funds in excess of costs incurred; doing so would improperly augment agency funds otherwise available for funding conference expenses.

26.2.3.10. Ensure that conference fees collected for one conference are not used to fund other conferences. If more than one conference is funded by a DoW Component, the Component must maintain records sufficient to separately account for fee collections for each conference.

26.2.3.11. Maintain all records supporting conference fees collected under this authority in accordance with Volume 1.

26.3 ACCOUNTING AND REPORTING

26.3.1. Accounting

26.3.2. Reporting

26.3.2.1. In accordance with DoD's Conference Policies and Controls, all DoD-sponsored conferences are required to be reported through a central DoD Conference Tool. This data is used to generate the annual reports that are posted publicly and support the Department's ongoing oversight of conference activities. Conference fees are not reported as a separate entity; they are reported within conference expenses as a net of any fees or revenue received through the conference, not to include costs.

26.3.2.2. In accordance with OMB Memorandum M-17-08, "Promoting Efficient Spending to Support Agency Operations," agencies must report conference expenses on a dedicated space on their official website. Conference expenses are defined as all direct and indirect conference costs paid by the Government, whether paid directly by agencies or reimbursed by agencies to travelers or others associated with the conference, but do not include funds paid under Federal grants to grantees. Conference expenses include any associated authorized travel and per diem expenses, hire of rooms for official business, audiovisual use, light refreshments, registration fees, ground transportation, and other expenses as defined by the [Federal Travel Regulations](#).

26.3.2.2.1. By January 31 of each year, the agency must provide a description of all agency-sponsored conferences from the previous fiscal year where the net expenses for the agency associated with the conference were in excess of \$100,000. This description must include:

26.3.2.2.1.1. Total conference expenses incurred by the agency for the conference.

26.3.2.2.1.2. The location of the conference.

26.3.2.2.1.3. The date of the conference.

26.3.2.2.1.4. A brief explanation of how the conference advanced the mission of the agency.

26.3.2.2.1.5. The total number of individuals whose travel expenses or other conference expenses were paid by the agency.

26.3.2.2.2. In addition, for any instances where the net expenses for an agency-sponsored conference exceeded \$500,000, the website must include the agency-designated official's rationale and approval. The website must also include information in the appropriate format (e.g., narrative) about the total net conference expenses for the fiscal year incurred by that agency, as well as a general report about conference activities throughout the year.

26.3.2.2.2.3. In reporting this data, agencies must exclude any information that is considered to be sensitive, that is prohibited from public disclosure by statute or regulation, or that may jeopardize national security or the health, safety, or security of conference attendees, organizers, or other individuals.

27.0 FINANCIAL INSTITUTIONS AND MILITARY BANKING FACILITIES ON DOW INSTALLATIONS

27.1 Responsibilities

27.1.1. The USW(C) or designee must:

27.1.1.1. Develop policies governing the establishment, operation, and termination of FI and MBFs on DoW installations.

27.1.1.2. Coordinate with the USW Personnel and Readiness (P&R) on matters concerning FI and MBFs on DoW installations impacting the financial readiness, including consumer protection, of DoW personnel and families.

27.1.1.3. Take final action on requests to this chapter excluding requests for exception to subparagraph 27.2.1. Final action on requests for exceptions to subparagraph 27.2.1 is the responsibility of Assistant Secretaries of the Military Departments and may not be re-delegated, except as it pertains to temporary automatic teller machines (ATMs) not exceeding 30 days identified in subparagraph 27.2.5.5, which may be re-delegated.

27.1.1.4. Approve duly processed issuance of Geographic Franchise designations for credit unions operating outside the continental United States (OCONUS) DoW installations.

27.1.2. The Under Secretary of War (Acquisition and Sustainment) (A&S) or designee must:

27.1.2.1. Monitor policies and procedures governing logistical support furnished to FIs and MBFs on DoW installations, including the use of DoW real property and equipment.

27.1.2.2. Advise the USW(C) regarding FI and MBF matters involving logistical support, DoW real property, and equipment.

27.1.3. USW(P&R)

The USW(P&R) (or designee) must advise the USW(C) on matters concerning FIs and MBFs operating on DoW installations impacting the financial readiness and affecting the morale and welfare of DoW personnel and families, including consumer protection.

27.1.4. The Director, Defense Finance and Accounting Service (DFAS) (or designee) must:

27.1.4.1. Develop procedures governing FIs and MBFs on DoW installations for promulgation in this Regulation.

27.1.4.2. For domestic DoW installations, coordinate with the Secretaries of the Military Departments (or designees) on subordinate installation commanders' requests to establish or terminate on-base FI and MBFs. For overseas DoW installations, coordinate with the Secretary of the Military Department concerned (or designee) on subordinate installation commanders' requests to establish or discontinue the provision of financial services from the on-base FI under contract with DoW to operate MBFs or to establish or terminate other banks or credit unions located on DoW installations.

27.1.4.3. In coordination with affected DoW Components, authorize the banking services provided by overseas MBFs and specify the charges or fees, or the basis for these, to be levied on users.

27.1.4.4. Coordinate with the Fiscal Assistant Secretary of the U.S. Department of the Treasury (or designee) on the domestic and overseas MBFs designation as depositaries and financial agents of the U.S. Government.

27.1.4.5. Designate a technical representative to provide policy direction for the procuring and administrative contracting officer(s) responsible under the FAR for acquiring banking services required at overseas DoW installations through the operation of MBFs.

27.1.4.6. Serve as principal liaison with the FIs under contract operating MBFs on overseas DoW installations. Monitor MBF managerial and operational policies, procedures, and operating results and take action as appropriate.

27.1.4.7. As necessary, assist in the formation of government-to-government agreements for the provision of financial services on overseas DoW installations, in accordance with DoWD 5530.3, "International Agreements."

27.1.4.8. Provide procedural guidance to DoW Components, as required.

27.1.4.9. Liaise with FI trade associations, leagues, and councils to interpret DoW policies toward respective memberships and aid in resolving items of mutual concern regarding the provision of financial services on DoW installations.

27.1.4.10. Coordinate with the USW(P&R) (or designee), through the USW(C) (or designee), on all aspects of morale and welfare and with the USW(A&S) (or designee), through the USW(C) (or designee), on all aspects of logistic support, equipment, and real property for on-base FIs and MBFs.

27.1.4.11. Monitor industry trends, conduct studies, and engage as necessary.

27.1.4.12. Liaise, as appropriate, with FI regulatory agencies at federal and state levels.

27.1.4.13. Consider Combatant Command recommendations before processing requests for MBF operations, credit union geographic franchises, or related actions.

27.1.4.14. Provide USW(C) recommendation for adjudication of geographic franchise actions. Maintain a geographic franchise listing of all credit unions operating on DoW overseas installations.

27.1.5. Secretaries of the Military Departments (or designees) must:

27.1.5.1. Act on subordinate installation commanders' requests to establish or terminate FI operations on domestic DoW installations in accordance with this guidance. Act on subordinate installation commanders' requests to establish or discontinue providing financial services via MBF operations, or to establish or terminate other FI located on overseas DoW installations. The Secretary of the Military Department must coordinate all termination requests with the USW(C) (or designee), through the Director, DFAS (or designee), before approving or denying the request. The appropriate regulatory agency will be notified by the Secretary of the Military Department (or designee) if the termination request is approved.

27.1.5.2. Oversee FI use on respective DoW installations within the guidance contained herein.

27.1.5.3. No less than annually, review or cause review of operating days and hours, services provided, related charges, and fees of FIs operating on DoW installations to ensure that they align with operating agreements established.

27.1.5.4. Monitor practices and procedures of FIs operating on DoW installations to ensure DoW personnel welfare and interests are protected.

27.1.5.5. Engage, if necessary, in discussion with domestic on-base FIs to develop and expand financial services for DoW personnel.

27.1.5.6. Encourage the conversion of existing domestic MBFs on respective installations to independent or branch bank status where feasible.

27.1.5.7. Provide logistical support to overseas MBFs under terms and conditions identified in this Regulation and with the applicable terms of DoW contracts with the FIs operating overseas MBFs.

27.1.5.8. Refer policy decisions or proposed changes to this Regulation to the USW(C) (or designee) through the Director, DFAS (or designee).

27.1.5.9. Ensure use of on-base FIs and MBFs on DoW installations by DoW personnel for personal banking activity is on a voluntary basis and is not to be urged in preference to, or to the exclusion of, other FIs.

27.1.5.10. Encourage FIs on domestic DoW installations to provide an offering of competitive banking services comparable to local off-base FIs, including basic financial

information offered without charge. Basic financial information is defined as information on budgeting, account balancing, and reconciliation, benefits of savings, prudent use of credit, how to start a savings program, how to shop and apply for credit, and the consequences of excessive credit.

27.1.5.11. Liaise with federal and state regulatory agencies and FI trade associations, leagues, and councils.

27.1.5.12. Make military locator services available to on-base FIs and MBFs in accordance with the Privacy Act guidelines in Figure 27-1.

27.1.5.13. Take final action on requests for exceptions to subparagraph 27.2.1, an authority that may not be re-delegated, except as it pertains to temporary ATMs not exceeding 30 days identified in subparagraph 27.2.5.5, which may be re-delegated.

27.1.6. Commanders of the Combatant Commands must:

27.1.6.1. Ensure the appropriate coordination on the following types of requests:

27.1.6.1.1. Establishment of FI or MBF operations in countries not presently served. Such requests must include a statement that the requirement has been coordinated with the U.S. Chief of Diplomatic Mission or U.S. Embassy and that the host-country permits the operation.

27.1.6.1.2. Elimination of any or all FI or MBF operations on DoW installations within a foreign country. Such requests must include a statement that the U.S. Chief of Diplomatic Mission has been informed and that appropriate arrangements to coordinate local termination announcements and procedures have been made with the U.S. Embassy.

27.1.7. Commanders of Major Commands and Subordinate Installation Commanders must:

27.1.7.1. Monitor to ensure FI operations within their commands are aligned with Operating Agreements and that Operating Agreements and leases or other lease-like instruments are valid.

27.1.7.2. Coordinate requests to establish or construct FI or terminate logistical support to banks and credit unions within their commands. Personnel assigned to overseas security assistance positions do not monitor, coordinate, or assist with this role without the prior approval of the Defense Security Cooperation Agency.

27.1.7.3. Assign responsibility for subparagraphs 27.1.7.1 and 27.1.7.2, to comptroller or resource management personnel.

27.1.7.4. Allow DoW personnel to attend conferences and meetings with representatives of on-base FIs, when neither a conflict of duty nor of interest arises, in accordance with DoWI 1327.06 and DoWI 1400.25, Volume 630.

27.1.7.5. Seek financial services only from existing on-base FIs and MBFs, proposing alternatives where on-base FIs and MBFs fail to satisfy a valid requirement.

27.1.7.6. Ensure, to the maximum extent feasible, that on-base FIs and MBFs may choose to participate in pilot programs demonstrating new financial-related technologies or establishing new business lines (e.g., in-store banking) where the respective DoW Component has determined such services are needed.

27.1.7.7. Submit requests for the establishment of FIs and MBFs, substantiated by sufficient evidence and artifacts contained within this guidance, to the Secretary of the Military Department (or designee) concerned.

27.1.7.8. Submit requests for the termination of FIs and MBFs, substantiated by sufficient evidence and artifacts contained within this guidance, to the Secretary of the Military Department (or designee) concerned.

27.1.7.9. Issue the appropriate installation and/or facility access credential(s), visitor passes, and/or no-cost invitational travel orders to FI and MBF personnel consistent with local security requirements and in accordance with applicable DoW policy guidance for physical access control.

27.1.7.10. Unless otherwise noted, draft and conclude written agreements between FIs, MBFs, and other parties as identified within this guidance.

27.2 General Policy Provisions

27.2.1. Financial Institutions on DoW Installations

27.2.1.1. No more than one bank and one credit union are permitted to operate on a DoW installation except where they already existed as of May 1, 2000, or the installation was affected by base realignment and closure (BRAC).

27.2.1.1.1. When host organizations at two or more installations are consolidated on a single installation, each FI that operated a facility located on real property within the new combined installation is authorized to continue serving its customer base on the installation.

27.2.1.1.2. The commander of the combined installation may extend the opportunity to compete the request for new banking services to all FIs located on such installation. This includes in-store banking within the premises of a commissary operated by the Defense Commissary Agency (DeCA), a Military Exchange, or any other on-base retail facility.

27.2.1.1.3. If installation real property is non-contiguous and different FIs operate on geographically separated cantonment areas, the commander may first extend the opportunity to compete for new banking services to the FIs operating on the geographically separated cantonment area. If the FIs operating on the geographically separated portion of the

installation decline to provide the services, the commander may permit the FIs operating elsewhere on the installation the opportunity to compete to provide the requested service.

27.2.1.1.4. If an FI ceases operations on a portion of a contiguous, combined installation on which more than one FI operates, and the commander wants continued levels of FI support in that area of the installation, the commander must extend the opportunity to compete for continued levels of support to the existing FIs operating on other areas of that installation.

27.2.1.1.5. If a FI voluntarily terminates operations on a non-contiguous geographically separated portion of installation, it is the installation commander's prerogative to decide whether sufficient need for financial services support exists and, if so, to provide FIs operating on other installation cantonment areas the opportunity to compete to provide such support.

27.2.1.1.6. FIs directly supporting an agency or organization relocating to an installation where an existing FI is providing banking services generally are not able to commence or continue operations on the installation to which an agency or organization relocates. Service Secretaries have authority to grant exceptions to subparagraph 27.2.1 of this guidance, specifically for cases where the FI or FIs operating on the gaining installation cannot accommodate the banking services requirements of the relocated organization's customers because of geographic separation between the sites of the relocated organization and the existing installation financial services provider, or for other compelling reasons.

27.2.2. Security Policy Only

27.2.3. Central Locator Services

27.2.4. Advertising and Personal Solicitation

27.2.4.1. An on-base FI or MBF may use the unofficial section of that installation's daily bulletin, provided space is available, to inform DoW personnel of financial services and announce voluntary information sessions on financial information topics within the scope of this guidance, and other matters of broad general interest. Media may not be used for competitive or comparative advertising of, for example, specific interest rates on savings or loans.

27.2.4.2. An on-base FI or MBF may use installation bulletin boards, newsletters, or web pages to post general information that complements the installation's financial education programs and promotes financial responsibility and thrift. Such information must be unbranded and not promote the services of a specific FI or type of institution. Message center services may distribute a reasonable number of announcements to use on bulletin boards so long as this does not impose an unreasonable workload.

27.2.4.3. An on-base FI or MBF may participate in the newcomer's briefings, as invited, and/or be permitted to include an insert in the installation's newcomers' package (or

equivalent). Briefings and inserts must benefit newcomers by identifying the financial services that are available on the installation.

27.2.4.4. DoW Instruction 5120.20, “American Forces Network Program” prevents using the Armed Forces Radio and Television Service to promote a specific FI.

27.2.4.5. Installation activities, including Military Exchange Services, MWR, and concessionaire outlets, must not permit literature distribution from off-base FIs if there is an on-base FI. This does not prevent the Military Exchange Services from distributing literature on affinity credit card services that those Military Exchange Services may acquire centrally through competitive solicitation. Off-base FIs may use commercial advertising, mailings, or telecommunications to reach their customers.

27.2.4.6. Advertising in government-funded (official) installation papers is not permitted except for insert advertising in the Stars and Stripes overseas. Installation newspapers funded by advertisers are not official publications and, thus, may include advertising paid for by any FI or MBF.

27.2.4.7. An on-base FI and MBF must comply with the solicitation prohibitions contained in paragraph 6.4 and in DoWI 1344.07, “Personal Commercial Solicitation on DoW Installations.”

27.2.5. ATM Service

27.2.5.1. ATMs are electronic banking services and, as such, must only be provided by FIs and MBFs in accordance with the provisions of paragraph 27.2.

27.2.5.2. FIs installing ATMs on DoW installations must bear the cost of ATM installation, maintenance, and operation. The installation commander may enter into an agreement with the on-base FI wherein the installation may acquire and provide ATMs to on-base FI under certain circumstances, such as when it is advantageous to the government to have ATMs available for use, but the acquisition cost is prohibitive. No ATMs may be purchased by an installation unless approved by the Secretary of the Military Department concerned (or designee). In all such cases, installation costs and all logistic support must be borne by the FI. Logistical support and cost to complete site preparation, install, and remove MBF ATMs are borne by the local installation.

27.2.5.3. ATM approval authority is as follows:

27.2.5.3.1. The installation commander has approval authority when an on-base FI wishes to place an ATM on the installation. If approved, the ATM location must be reflected as an amendment to the operating agreement and lease or lease-like instruments.

27.2.5.3.2. Where there is no on-base FI, follow the solicitation procedures to obtain financial services set forth in paragraphs 27.3.1 and 27.5.2.

27.2.5.4. The availability of ATM service does not preclude the later establishment of an FI office should conditions change on an installation.

27.2.5.5. Installation commander, Military Exchange Services, MWR activities and other NAFIs, and all other organization proposals to install ATMs, including temporary ATM support not exceeding 30 days, on domestic installations from other than on-base FIs must be considered only when (1) ATM service is unavailable or existing service is inadequate, and (2) the on-base FIs either decline to provide the service, fail to improve existing service, or does not formally respond to the request for such service within 30 days. ATM service from other than on-base FIs is an exception to the policy. The procedures to establish an on-base FIs set forth in paragraphs 27.3.1 and 27.5.2 must be followed when soliciting for such ATM services. Proposals received not assessing ATM fees to users are preferred.

27.2.5.6. ATM service from foreign banking institutions may be authorized on overseas installations with or without MBFs operated under contract where the installation or community commander determines that a bona fide need exists to support local national hires. On installations with MBFs operated under contract, the MBFs must be the primary source of the ATM service except when the DFAS Director, (or designee) determines that providing the service is either not cost effective or precluded by the pertinent status of forces agreements, other intergovernmental agreements, or host-country law. Where ATM service from foreign banking institutions is authorized, ATM connectivity must be limited to host-country networks and the ATMs must dispense only local currency (no U.S. dollars). The operating agreement covering ATM service must be negotiated by the installation or community commander and submitted for approval by the appropriate Combatant Commander (or designee) prior to its execution. A copy of the operating agreement is forwarded through DoW Component channels to the DFAS Director (or designee).

27.2.6. Domestic and International Treasury General Accounts. Policy Only.

27.2.7. Staffing

27.2.7.1. On-base FI must be staffed adequately (i.e., commensurate with industry standards for similar numbers of accountholders and financial services rendered). Staffing at overseas MBFs operated under DoW contract must be maintained within negotiated ceilings.

27.2.7.2. All staffing must comply fully with applicable equal employment opportunity laws and with the spirit of DoW equal employment opportunity policies as set forth in DoWD 1440.1, "The DoW Civilian Equal Employment Opportunity (EEO) Program."

27.2.7.3. DoW personnel, excluding military retirees and their dependents, may not serve as directors of domestic or foreign FI operating offices on those DoW installations where they currently are assigned. This does not preclude a member of a Reserve Component, who has been serving as a director of a domestic or foreign FI operating a banking office on a DoW installation, from retaining his or her directorship if called to active duty.

27.2.7.4. DoW personnel may not be detailed to duty with an on-base FI located on a DoW installation. Off-duty personnel, however, may be employed by an on-base FI subject to approval by the installation commander (or designee). Such employment must not interfere with the performance of the individual's official duties and responsibilities.

27.2.8. Departure Clearance

The installation commander establishes the clearance policy for all DoW personnel leaving the installation. The on-base FIs and MBFs must be included as places requiring clearance. The purpose of a clearance is to report the change of address, reaffirm outstanding debts, and receive financial counseling, if desired or appropriate. Clearance may not be denied in order to collect debts or resolve disputes with FI or MBF management.

27.2.9. Operating Agreements

27.2.9.1. Except for MBFs operated under contract, before on-base FI operations begin, a written operating agreement (See Figure 27-2) and the appropriate real estate outgrant (i.e., a lease, permit or license issued) must be negotiated directly between the installation commander and officials of the FI. Thereafter, the installation commander and the FI must jointly review the operating agreement at least once every 5 years. The operating agreement must identify the responsibilities and requirements of the FI and the installation commander relating to the FI's operations on-base. The command must send one copy of the agreement through appropriate channels to the Secretary of the Military Department concerned (or designee). The installation commander and the FI must maintain a copy of it. At a minimum, the agreement must include the following provisions:

27.2.9.1.1. Identification of services rendered and the conditions for service. Agreements, however, may not restrict either entity's right to renegotiate services and fees.

27.2.9.1.2. Agreement complying with this Regulation and 32 CFR § 230.

27.2.9.1.3. The FI will furnish copies of its financial reports and other local publications on an "as needed" basis in response to the installation commander's (or designee's) formal request.

27.2.9.1.4. The FI will indemnify and hold harmless the U.S. Government from (and against) any loss, expense, claim, or demand to which the U.S. Government may be subjected because of death, loss, destruction, or damage in conjunction with the use and occupancy of the premises caused in whole or in part by agents or employees of the on-base FI.

27.2.9.1.5. Neither DoW nor its representatives are responsible or liable for or for any loss (including criminal losses), expense, or claim for damages arising from operations.

27.2.9.1.6. The FI will provide no less than 180 days advance written notice to the installation commander before ceasing operations.

27.2.9.1.7. Specification of the security services to be provided for guarding cash shipments at times of unusual risk to the FI and to avoid excessive insurance costs charged to that FI.

27.2.9.1.8. Statement that the physical security for cash and negotiable items will be consistent with the requirements of the FI's insurer and agreement the on-base FI will provide a copy of these requirements to the installation commander on request.

27.2.9.1.9. The FI reimburses the installation for logistical support (such as government-provided custodial, janitorial, and other services) at rates set forth in the lease or agreement between the installation and the FI.

27.2.9.1.10. Statement that FI operations must be terminated, when required, under provisions specified in this Regulation.

27.2.9.2. Mutually agreed expansion of services must be documented as an amendment to the existing operating agreement between the installation commander and the on-base FI. The amendment to the operating agreement and any required lease (to include a change to an existing lease) must be in place prior to the initiation of new financial services, offices, or ATMs.

27.2.10. Installation Financial Services

27.2.10.1. DoW Components, NAFIs, including Military Exchange Services and MWR activities, or any other organizational entities within the DoW, are prohibited from conducting retail banking operations. However, cash-back transactions at point-of-sale terminals and check cashing, provided by authorized DoW activities are not considered financial services or retail banking operations within the context of this section.

27.2.10.2. Financial services provided on DoW installations must be as uniform as possible for all personnel. As separately negotiated, or based on a fee schedule, custodians of nonappropriated funds must compensate the on-base FIs and MBFs for services received. Compensating balances or fees may be used to pay for the services provided. Fees must not exceed the charge customary for the FI less an offsetting credit on balances maintained. FIs and MBFs must classify nonappropriated fund accounts as commercial accounts.

27.2.10.3. At a minimum, FIs must provide the same services to individuals and NAFIs as are available in the surrounding geographic area. MBFs must provide services in accordance with contracts informing operations.

27.2.10.4. On-base FIs and MBFs may conduct operations during normal duty hours provided they do not disrupt the performance of official duties. Operating hours must be set, in consultation with the bank or credit union liaison officer, to meet the needs of all concerned. ATMs may be used to expand financial services and operating hours.

27.2.10.5. DoW personnel may use their allotment of pay privileges to establish sound savings practices through on-base FIs and MBFs. The on-base FI or MBF must credit customer accounts no later than the deposit date of the allotment check or electronic funds transfer.

27.2.10.6. On-base FIs and MBFs must conform to the Standards of Fairness principles before executing loan or credit agreements.

27.2.10.7. On-base FIs and MBFs must make basic financial education available without charge to individuals seeking these services. Financial education must be limited to basic personal and family finances comparable to education commonly provided by FIs such as budgeting, checkbook balancing and account reconciliation, benefits of savings, prudent use of credit, how to start a savings program, how to shop and apply for credit, and the consequences of excessive credit. Financial education services must not be advertised outside of the FI's or MBF's physical space unless otherwise authorized within this guidance. On-base FIs and MBFs are encouraged to help ensure DoW personnel are aware of the availability of financial education and counseling services provided by DoW through military and family support centers.

27.2.10.8. On-base FIs and MBFs must strive to provide the best service to all customers. On-base FIs and MBFs that discriminate in their services violate this section. In resolving complaints of discrimination, use the procedures specified in subparagraph 27.2.11.6.

27.2.10.9. All correspondence regarding on-base FIs, and questions concerning their operation that cannot be resolved locally, must be referred through command channels to the Secretary of the Military Department concerned (or designee) for consideration. All correspondence regarding MBFs, and questions concerning their operations that cannot be resolved locally, must be referred through command channels to the Director, DFAS (or designee).

27.2.11. Banking Liaison Officer (BLO)

The BLO must:

27.2.11.1. Ensure all on-base FIs and MBFs have the latest version of this chapter.

27.2.11.2. Ensure that no DoW entities are providing financial services on the installation.

27.2.11.3. Maintain contact with FI and MBF managers to ensure local information regarding installation operations that may impact the provision of financial services is communicated to resolve local installation items of mutual concern. In executing this authority, the BLO must not become involved in the internal operations of the FI or MBF.

27.2.11.4. For FI only, review the schedule of service charges and fees annually and ensure that the operating agreement is updated at least every 5 years. Renegotiate the financial services offered and related service charges and fees as necessary.

27.2.11.5. Assist in resolving general customer complaints about services provided by FIs and MBFs. Complaints specific to transactions between an FI or MBF and individuals are to be resolved through agreements concluded between the FI or MBF and the individual.

27.2.11.6. Assist in resolving complaints of discrimination with financial services provided by the FI or MBF. If a complaint cannot be resolved, a written request for investigation must be forwarded to the appropriate regulatory agency for FIs and to the Director, DFAS (or designee) for MBFs. Any such request must document the problem and command efforts taken toward its resolution. Informational copies of all related correspondence must be sent through channels to the Secretary of the Military Department concerned (or designee) for transmittal to the Director, DFAS (or designee).

27.2.11.7. Assist the installation commander in reporting to the appropriate regulatory agency any evidence suggesting malpractice by FI personnel and in reporting to the Director, DFAS (or designee) for MBF personnel.

27.2.12. In-Store Banking

27.2.12.1. Under the direction and approval of the installation commander and the DeCA, Military Exchange Services, MWR activities, or any other on-base retail facility, an on-base FI or MBF may provide in-store banking or ATMs within premises operated by the DeCA, Military Exchange Services, MWR activities, or any other on-base retail facility.

27.2.12.2. The installation commander must determine whether a solicitation is required. A solicitation is required whenever there are two or more FIs operating on a DoW installation. If only one FI operates on the installation, no solicitation is required, and the installation BLO must work directly with the on-base FI to obtain the requested financial services. In situations where both an FI and MBF operate on the installation, the requirement must be coordinated through the Director, DFAS (or designee) prior to seeking financial services for a determination of whether MBF-provided services are preferred.

27.2.12.3. The DoW Component seeking in-store banking (e.g., in buildings operated by the DeCA, Military Exchange Services, MWR activities, or any other on-base retail activity) must conduct the solicitation aligned with applicable solicitation procedures contained within subparagraph 27.3.2.4.

27.2.12.4. The installation commander (or designee) must formally notify the selected FI, ensure the granting of appropriate lease or lease-like instruments, and ensure additional financial services are documented as an amendment to the existing operating agreement prior to beginning activities to facilitate the provision of financial services. The amendment must be signed by the installation commander, the on-base FI, and the DoW Component that hosts the in-store FI operation.

27.2.13. Domestic MBF

27.2.13.1. Domestic MBF Establishment

27.2.13.1.1. Requests to establish domestic MBFs must be made only when a need for required financial services cannot be met by other means and are predicated on FIs interested in competing to fill requirements. During mobilization, however, MBFs may be requested as an emergency measure.

27.2.13.1.2. Installation commanders must send requests for a domestic MBF with justification for its establishment through the Secretary of the Military Department concerned (or designee) to the Director, DFAS (or designee), for coordination with the Treasury. The Treasury may approve the designation of an MBF under provisions of 12 U.S.C. § 265 and 12 U.S.C § 1789a.

27.2.13.1.3. Domestic MBF operations may begin only after approval for domestic MBF status is granted by the Treasury.

27.2.13.2. Domestic MBF Conversion

27.2.13.2.1. Where domestic MBFs exist, installation commanders must, on a yearly basis and in accordance with paragraph 4.3, continue to seek FI interest in operating on-base.

27.2.13.2.2. Send proposals from the domestic MBF to convert to an independent or branch FI through command channels to the Secretary of the Military Department concerned (or designee) for approval. The Secretary of the Military Department (or designee) must forward the request to the Director, DFAS, for coordination with the Treasury.

27.2.13.2.3. Forward unsolicited proposals from FIs to establish independent or branch FIs where a domestic MBF exists through command channels to the Secretary of the Military Department concerned (or designee). Each proposal must be evaluated on its own merits.

27.2.13.2.4. The installation commander must inform the FI operating the domestic MBF that an unsolicited proposal for an independent or branch FI has been received and must offer the FI operating the domestic MBF the opportunity to submit its own proposal.

27.2.13.3. Domestic MBF Termination

The Director, DFAS (or designee), must coordinate the termination of a FI's authority to operate a domestic MBF with the Treasury.

27.3 Banks Operating On Domestic DoW Installations

27.3.1. General Policy

27.3.1.1. Establishment

27.3.1.1. Include the following information in the installation commander's request to the Secretary of the Military Department concerned (or designee) for the establishment of banks on DoW installations:

27.3.1.1.1. The approximate number of DoW personnel at the installation, and other persons who may be authorized to use the bank.

27.3.1.1.2. The name(s), address(es), and distance(s) between the installation and the FIs in the vicinity.

27.3.1.1.3. Available transportation between the installation and the FIs listed in subparagraph 27.3.1.1.2.

27.3.1.1.4. The number of DoW personnel in duty assignments that confine them to the installation or who cannot obtain transportation.

27.3.1.1.5. The name and location of all FIs used to make official deposits for credit to the TGA.

27.3.1.1.6. A list of organizational and nonappropriated fund accounts, the name and location of the FI used to make deposits, and the average daily activity and balance of each account.

27.3.1.1.7. A written description and photographs of the space proposed for bank use.

27.3.1.1.8. A statement listing requirements for safes and a vault, alarm systems, and surveillance equipment, when necessary.

27.3.1.1.9. Reasons for use of space controlled by the General Services Administration (GSA). All the GSA-assigned space, whether leased space or federal office building space, is reimbursable to the GSA at the standard level user charge. As such, space occupied by a bank to serve military needs is assigned and charged by the GSA.

27.3.1.1.10. Any other information pertinent to the establishment of an on-base bank.

27.3.1.2. The Secretary of the Military Departments (or designee) must:

27.3.1.2.1. Review each request for the establishment of an on-base bank, ensure solicitations are conducted in accordance with this chapter, and take action to bring solicitations into compliance with this chapter.

27.3.1.2.2. Conduct a solicitation for the establishment of an on-base bank when warranted.

27.3.1.2.3. Review the final results of solicitations to ensure compliance with this chapter and approve the selection of the bank.

27.3.1.2.4. Notify the selected bank either directly or through the installation commander. The selected bank must, in turn, obtain operating authority from their regulating agencies, if required.

27.3.1.2.5. Forward proposals to establish TGAs to DFAS at dfas.dscc.jjf.mbx.dod-financial-institutions-tga@mail.mil for review, processing, and subsequent forwarding to the Fiscal Assistant Secretary of the Treasury in accordance with Volume 11.

27.3.2. Solicitations

27.3.2.1. Solicitations to establish an on-base bank must be accomplished in the following order:

27.3.2.1.1. Send solicitation letters to local banks, publish a solicitation announcement in the local newspaper(s), and forward the same to FI associations.

27.3.2.1.2. If the Secretary of the Military Department concerned (or designee) or, where delegated, the installation commander, determines that the geographic scope of the solicitation needs to be expanded, forward a prospectus to FIs in a larger geographic area, as well as FI associations and regulatory authorities in the state where the installation is located.

27.3.2.1.3. If the Secretary of the Military Department concerned (or designee) or, where delegated, the installation commander, determines that the geographic scope of the solicitation needs to be expanded further, the solicitation will be published in Sam.gov.

27.3.2.2. For installation-level solicitations, the installation commander must review proposals to establish on-base banks, select the bank making the best offer, and forward a recommendation to the Secretary of the Military Department concerned (or designee) for final approval.

27.3.2.3. Banks must not be coerced when banking arrangements are under consideration or after on-base offices are established. If otherwise proper, this prohibition does not preclude:

27.3.2.3.1. Discussions with bank personnel prior to submitting a proposal for a new banking office.

27.3.2.3.2. Requesting banks extend their operations in support of an installation requirement.

27.3.2.3.3. Discussions with bank personnel to improve services or to create savings for the bank, DoW personnel, or the local installation.

27.3.2.3.4. Seeking proposals for additional banking service as directed by the Secretary of the Military Department concerned (or designee).

27.3.2.3.5. Negotiations preparatory to signing an operating agreement or lease or lease-like instrument.

27.3.2.4. When soliciting financial services, evaluate proposals on specific factors identified in the solicitation. These factors, at a minimum, must be predicated on the services required outlined in Figure 27-2, paragraph 3, the bank's schedule of service fees and charges, space requirements and terms, and the extent of logistical support required. Prior to issuance of the solicitation, the preparing office must identify (for internal use during the subsequent evaluation period) the factor weights to be applied in the solicitation. Proposals must be evaluated, and the ultimate selection made based on the factors and weights developed for the solicitation.

27.3.2.5. The Secretary of the Military Department concerned (or designee), or the installation commander with advice from the cognizant Secretary of the Military Department (or designee), must make the selection of the bank based on the provisions outlined in this section.

27.3.3. Terminations

27.3.3.1. The installation commander must approve requests for termination of an on-base bank, substantiated by sufficient evidence, and forward to the Secretary of the Military Department concerned (or designee). The installation commander must initiate the termination of on-base bank operations only under one of the following conditions:

27.3.3.1.1. The installation mission has changed or is scheduled to be changed, thereby eliminating, or substantially reducing the requirement for financial services.

27.3.3.1.2. Active military operations prevent the continuation of on-base financial services.

27.3.3.1.3. The bank's performance in providing services is not satisfactory according to standards ordinarily associated with the financial services industry or is inconsistent with the operating agreements or this chapter. The installation commander's written communication with local bank leadership must be undertaken to attempt to resolve matters prior to making this determination.

27.3.3.1.4. When merger, acquisition, change of control, or other action results in violation of the terms and conditions of the existing operating agreement, the Secretary of the Military Department (or designee) must terminate the operating agreement with the existing banking institution. When the merger, acquisition, change of control, or other action does not result in violation of the terms and conditions of the existing operating agreement, the Secretary of the Military Department (or designee) must novate the operating agreement identifying the change in control.

27.3.3.2. The installation commander must forward approved requests for termination of an on-base bank, substantiated by sufficient evidence, to the Secretary of the

Military Department concerned (or designee). The Secretary of the Military Department (or designee) must review all termination actions to ensure compliance with this chapter and coordinate all termination actions with the USW(C), through the Director, DFAS, before the Secretary of the Military Department (or designee) provides notification to the appropriate regulatory agency if required. After this coordination process:

27.3.3.2.1. The Secretary of the Military Department (or designee) will notify the installation commander if the termination is in accordance with this chapter and if so, the installation commander must notify the on-base bank of the termination. The installation commander must establish a departure date and revoke the authority of the bank to operate on the installation via termination of the lease or lease-like instrument and operating agreement.

27.3.3.2.2. If the termination is not in accordance with this chapter, the request will be returned by the Secretary of the Military Department (or designee) to the installation commander for remediation or dismissal.

27.3.3.3. A bank that intends to voluntarily terminate its on-base operations must notify the installation commander in writing on official letterhead at least 180 days before the proposed closing date. Within the notification, the bank must identify reasons for termination. This notification and an acknowledgment from the installation commander must precede any public announcement of the planned closure. When appropriate, the installation commander may attempt to negotiate an agreement permitting the bank to continue operations until the installation has made other arrangements. Immediately upon notification of a termination, the installation commander must advise the DoW Component headquarters concerned. If the continuation of financial services is justified, action to establish another on-base FI must be taken in accordance with paragraph 27.3.1, paragraph 27.5.1, or both, depending on if another FI is currently operating on-base. A copy of the voluntary termination notification must be forwarded through command channels to the Director, DFAS (or designee).

27.3.4. Use of Space, Logistical Support, and Military Real Property for Banks Operating on Domestic DoW Installations

27.3.4.1. Lease Terms

27.3.4.1.1. The consideration for a lease must be determined by an appraisal of fair market rental value in accordance with 10 U.S.C. § 2667. Periodic reappraisals must be based upon the fair market rental value exclusive of the bank improvements made. Coordinate with USW(A&S) or designee.

27.3.4.1.2. The lease term must not exceed 5 years except where the banking institution uses its own funds to improve existing government space as outlined in subparagraph 27.3.4.5. If space occupied is assigned by the GSA, charges to FIs for space and services must be at the GSA standard level user rate.

27.3.4.1.3. Leases must include the following provisions:

27.3.4.1.3.1. The government has the right to terminate the lease due to national emergencies; installation inactivation, change in installation operations eliminating or substantially reducing the need for financial services, closing, or other disposal action; or default by the lessee.

27.3.4.1.3.2. The lessee must provide written notice 180 days prior to voluntarily terminating the lease.

27.3.4.1.3.3. Upon a lease termination, the government has the option to cause the title of all structures and other improvements to be conveyed to the United States without reimbursement or require the lessee to remove the improvements and restore the land to its original condition.

27.3.4.2. Logistical Support

27.3.4.3. Leases executed before the issuance of this chapter may not be altered solely because of the provisions of this chapter unless a lessee specifically requests a renegotiation under these provisions. No lease may be negotiated or renegotiated, nor may any rights be waived or surrendered without compensation to the government and coordination with USW(A&S) or designee.

27.3.4.4. When a bank participates in the construction of a shopping mall complex the lease must cover only land where the bank is physically located.

27.3.4.5. When a bank uses its own funds to improve existing government space, leases for a period not to exceed 25 years subject to periodic review every 5 years to assess changes in fair market value, may be negotiated for a period commensurate with the appraised value of the leasehold improvements divided by the annual lease fee.

27.3.5. Land Leases

27.3.5.1. If determined to be in the government's interest, an existing land lease may be extended prior to the expiration of its term. Passage of title to facilities must be deferred until all extensions have expired. Such extensions must be for periods not to exceed 5 years with lease payments set at the appraised land fair market rental as determined on the date of each such extension. Bank lessees must continue to maintain the premises and pay for utilities and services furnished.

27.3.5.2. When, under the terms of a lease, title to improvements passes to the government, arrangements normally are made as follows:

27.3.5.2.1. When the square footage exceeds that authorized in Unified Facilities Criteria and Unified Facilities Guide Specifications (MIL-STD-3007F), the bank must be given first choice to continue occupying the excess space under a lease providing for fair market rental for the land underlying that excess space.

27.3.5.2.2. The charge for continued occupancy of improved space by a bank must be at fair market rental value only for the associated land. The lessee must continue to maintain the premises and pay the cost of utilities and services furnished.

27.3.6. Construction

27.3.6.1. The building must be solely for the use of the bank and may not provide for other commercial enterprises or government instrumentalities.

27.3.6.2. Construction projects must meet the criteria in MIL-STD-3007F.

27.3.6.3. Construction Projects Approval Authority:

27.3.6.3.1. Projects costing \$25,000 or more must be approved by the Major Command with an information copy sent to the Secretary of the Military Department concerned (or designee). The Secretary of the Military Department (or designee) must have 30 days to provide comments to the Major Command before final approval can be granted.

27.3.6.3.2. Projects costing less than \$25,000, including interior alterations and room or office additions to existing bank facilities, must be approved by installation commanders. Copies of approvals, including the identification of project cost, must be furnished to the Secretary of the Military Department concerned (or designee).

27.3.6.4. Notify the Congress of all construction projects, using other than appropriated funds and costing over \$1,000,000, in accordance with DoWI 7700.18, "Commissary Surcharge, Nonappropriated Fund (NAF), and Privately Financed Construction Reporting Procedures."

27.3.6.5. Proposals for the construction of structures on installations at a bank's expense must be reviewed and reported in accordance with Military Department regulations. The following information must be listed to support each proposal:

27.3.6.5.1. Number of DoW personnel at the installation plus others who may use the bank;

27.3.6.5.2. Square footage of the proposed building;

27.3.6.5.3. Land area to be leased to the bank;

27.3.6.5.4. Term of the lease;

27.3.6.5.5. Estimated cost of construction;

27.3.6.5.6. Estimated fair market value of the land to be leased;

27.3.6.5.7. A statement that the bank is responsible for utility connections and other utility and maintenance costs;

27.3.6.5.8. A statement that the building is used only for financial services;

27.3.6.5.9. A statement that bank officials understand the potential building loss in the event of installation closure or other delimiting condition; and

27.3.6.5.10. Justification for a waiver of space criteria if the building exceeds that specified in MIL-STD-3007F.

27.3.6.6. Banks must pay for interior alterations, maintenance, utilities, custodial, and other furnished services.

27.3.6.7. Banks must pay all construction costs.

27.4 Financial Institutions and Military Banking Facilities Operating On Overseas DoW Installations

27.4.1. General Provisions of Financial Services Overseas

27.4.2. Establishment

27.4.2.1. Overseas MBFs Operated Under Contract. Installation or community commanders requiring financial services must send a request through command channels to the Secretary of the Military Department concerned (or designee) for concurrence and subsequent transmittal to the Director, DFAS (or designee), for approval.

27.4.2.1.1. Requests to establish MBFs must include, but are not limited to, the following information:

27.4.2.1.1.1. The approximate number of DoW personnel at the installation and in the community and any other persons who may be authorized to use the MBF.

27.4.2.1.1.2. The distance between the installation and the nearest MBF and credit union office, the names; email and mailing addresses, and telephone numbers of the operators of those institutions; and the installations and communities where they are located.

27.4.2.1.1.3. The availability of official and public transportation between the installation or community and the nearest MBF and credit union office.

27.4.2.1.1.4. The name and location of the depository used to make official deposits for credit to the TGA.

27.4.2.1.1.5. A list of organizational and nonappropriated fund accounts, the name and location of the FIs where deposited, and the average daily activity and balance of each account.

27.4.2.1.1.6. A written description and photographs or drawings of the space proposed for MBF use. The extent and approximate cost of required alterations, including the construction of counters and teller cages.

27.4.2.1.1.7. A statement that recognizes the logistical support, including equipment, to be provided by the local command as detailed in paragraph 27.4.3. The statement includes the costs of such equipment and the way it is acquired.

27.4.2.1.1.8. In countries where no MBFs currently are operated under contract, a statement from the cognizant Combatant Command that the requirement has been coordinated with the U.S. Chief of Diplomatic Mission or U.S. Embassy and that the host-country permits the operation in accordance with subparagraph 27.1.6.1.1.

27.4.2.1.1.9. Any other pertinent information to justify the establishment of an MBF.

27.4.2.1.2. As a rule, MBFs may be established only when the installation or community population meets the following criteria:

27.4.2.1.2.1. Full-time MBF. Except in unusual circumstances, a total of at least 1,000 permanent military personnel and DoW civilian employees is necessary to qualify for a full-time MBF.

27.4.2.1.2.2. Part-time MBF. Except in unusual circumstances, a total of at least 250 permanent military personnel and DoW civilian employees is necessary to qualify for a part-time MBF.

27.4.2.1.3. If the population in a certain remote area is not sufficient to qualify under the criteria for full-time or part-time MBFs, the installation or community commander explores all other alternatives for acquiring limited financial services before requesting the establishment of an MBF as an exception to these provisions. Alternatives to limited financial services include the installation of ATMs and check cashing and accommodation exchange services by disbursing officers and their agents.

27.4.2.1.4. Establishment of an overseas MBF is predicated on and requires:

27.4.2.1.4.1. Designation of the MBF contractor as a depository and financial agent of the U.S. Government by the Treasury.

27.4.2.1.4.2. The availability of FIs interested in bidding for the operation of the facility and the viability of such proposals.

27.4.2.1.4.3. The availability of appropriated funds to underwrite required financial services.

27.4.2.1.4.4. Establishment of a U.S. dollar currency custody account to support banking operations.

27.4.2.1.4.5. Agreement from host-nations that permit MBF operations.

27.4.2.2. Other Overseas Banking Offices. Where a need for financial services has been identified and either (1) the banking and currency control laws of certain host countries do not permit MBFs to operate on DoW installations or (2) MBFs, where permitted, have not been established or are not permitted to be established, then the following applies:

27.4.2.2.1. Installation or community commanders must send requests for financial services or unsolicited proposals from foreign banking institutions to their Major Commands with supporting data as required in paragraph 27.3.1.1.

27.4.2.2.2. Major Commands must forward installation or community commander requests to the Secretary of the Military Department concerned (or designee) for approval. The Secretary of the Military Department concerned (or designee) coordinates with the DFAS, Director (or designee) to seek the designation of the parent foreign banking institution as a depository and financial agent of the U.S. Government by the Treasury.

27.4.2.2.3. Banks in this category cannot become operational until the foreign parent banking institution has been designated a depository and financial agent of the U.S. Government. The institution also must indicate a willingness and ability to provide collateral backing for any official and nonappropriated fund U.S. dollar deposits. Any collateral pledged must be in a form acceptable to the Director, DFAS (or designee), and the Treasury.

27.4.3. Logistical Support

27.4.3.1. Overseas MBFs Operated Under Contract

27.4.3.1.1. For MBFs and ATMs that are operated under contract, installation or community commanders must provide logistical support and services to the maximum possible extent at no charge unless otherwise identified in this regulation. Such support normally includes:

27.4.3.1.1.1. Adequate office space, including steel bars; grillwork; security doors; a vault, safes, or both; security alarm systems and camera surveillance equipment (where deemed necessary) that meet documented requirements of the MBF contractor's insurance carrier; construction of counters, teller cages, and customer and work areas; necessary modifications and alterations to existing buildings; and construction of new MBF premises, if necessary.

27.4.3.1.1.1.1. The size and arrangement of space must permit efficient operations. The space assigned may not exceed that prescribed in the MIL-STD-3007F.

27.4.3.1.1.1.2. All maintenance, repair, rehabilitation, alterations, or construction for MBFs must comply with guidelines established by the installation commander.

27.4.3.1.1.2. Office space in a building that is accessible to most users and permits maximum security. In addition, office space for MBF area and district administrations and storage space for retention of records, files, and supplies.

27.4.3.1.1.3. DoW housing on a rental basis to assigned MBF staff who are designated as key and essential MBF managerial personnel who are unable to find suitable, reasonably priced housing in the vicinity of the DoW installation, subject to the assignment procedures and other requirements of DoW 4165.63-M, "DoW Housing Management."

27.4.3.1.1.4. Education, on a space-available, tuition-paying basis, provided by the DoW Education Activity to minor dependents of assigned staff.

27.4.3.1.1.5. Air conditioning, which is considered a normal utility for MBFs located at installations that qualify for air conditioning under applicable regulations. MBF space is classified as administrative space at military installations.

27.4.3.1.1.6. Utilities (i.e., electricity, natural gas or fuel oil, water, and sewage), heating, intra-station telephone service, and custodial and janitorial services to include garbage disposal and outdoor maintenance (such as grass cutting and snow removal) at the same frequencies as provide to other installation activities.

27.4.3.1.1.7. Defense Switched Network (DSN) voice and data communication to include, where available, internet access.

27.4.3.1.1.8. Military guards, civilian guards (for use within the installation only), military police, or other protective services to accompany shipments of money at the frequencies required by MBFs to maintain required operations. This level of protective service must also be provided at other times as required to include replenishment of ATM currency and receipts, alarm system failures, and to avoid undue risks or insurance costs on the part of the MBF.

27.4.3.1.1.9. U.S. Military Postal Service access in accordance with DODD 5101.11E, "DoW Executive Agent for the Military Postal Service (MPS) and Official Mail Program (OMP)." Use of free intra-theater delivery system (IDS) is authorized for all routine mail sent and received between Army Post Offices (APOs) and Fleet Post Offices (FPOs) within a theater.

27.4.3.1.1.10. Office equipment and furniture on memorandum receipt if available from local stock. If office equipment or furniture is unavailable, statements of nonavailability must be issued.

27.4.3.1.1.11. Vehicle registration and fuel sales from government-owned facilities for bank-operated vehicles if not in conflict with host government agreements. Vehicle registration must be subject to normal fees.

27.4.3.1.1.12. Issuance by local commanders of invitational travel orders, at no expense to the U.S. Government when required for official onsite visits by U.S. based MBF officials.

27.4.3.1.2. Suggestions for changes to the logistical support provisions of the MBF contract may be forwarded for consideration through command channels to the Director, DFAS (or designee).

27.4.3.2. Other Overseas Banking Offices

27.4.3.2.1. Logistical support provided to such offices is negotiated with the parent foreign banking institution and incorporated into the written operating agreement.

27.4.3.2.2. Logistical support must not exceed that provided to contract MBFs, as specified in 5.3.1.

27.4.4. Operations

27.4.4.1. General Conditions of MBF and MBF ATM Operations

27.4.4.1.1. Before initiating MBF and MBF ATM operations, a written agreement must be negotiated directly and signed by the installation or community commander and a senior official of the MBF contractor. Forward one copy of the agreement with U.S. MBF contractors through command channels to the Secretary of the Military Department concerned (or designee). The Secretary of the Military Department (or designee) must forward one copy of the agreement through command channels to the Director, DFAS. The installation or community commander and the MBF manager must always maintain a copy of the agreement.

27.4.4.1.2. MBF agreements must only state operating details not set forth in the contract. Though the contract limits the number of operating hours per week, local commanders and MBF managers must set days and hours of operation to best meet local needs. Operating times may include Saturdays and evening hours when necessary to complement other retail services for DoW personnel, provided the contractor can implement that service at no additional cost to the government. When added cost is involved, the commander must send a request including reasons for expanded or modified times of operation, through command channels, to the Secretary of the Military Department concerned (or designee) for action. If approved, the request, with recommendations, must be forwarded to the Director, DFAS (or designee) for coordination to effect requested changes.

27.4.4.2. Overseas MBFs and MBF ATMs Operated Under Contract

27.4.4.2.1. General. Overseas MBFs must operate under terms and conditions established at the time of contract negotiations and confirmed in respective contracts or contracting officer determinations.

27.4.4.2.2. Authorized Customers. DoW banking contracts specify the personnel authorized to receive service. Additionally, overseas major commanders may approve banking services for other individuals that qualify for individual logistic support under the regulations of the DoW Component concerned, if the use of financial services is not precluded by status of forces agreements, other intergovernmental agreements, or host-country law.

27.4.4.2.3. Services Rendered. DoW banking contracts specify the services to be rendered and related charges. Suggestions for expansion or modification of authorized services or changes to fees or charges may be forwarded through DoW Component channels to the Director, DFAS (or designee). Requests for any new service must include coordination with the appropriate Combatant Command and U.S. Chief of Diplomatic Mission or U.S. Embassy to make certain that the requests do not conflict with the status of forces agreements, other intergovernmental agreements, or host-country law.

27.4.4.2.4. Regulation to be Provided. The Director, DFAS (or designee) must advise each U.S. banking contractor operating an overseas MBF of this chapter and furnish a copy to the contractor.

27.4.4.2.5. Conditions of Operation.

27.4.4.2.5.1. Part-time and payday service MBFs must provide limited services that mirror, to the extent feasible, those provided by full-time MBFs. Since part-time MBFs operate out of nearby MBFs, installation or community commanders must provide and fund transportation and guards for their operations, including servicing of ATMs.

27.4.4.2.5.2. Any deficiency of financial services under DoW banking contracts must be reported to the manager of the MBF within seven calendar days of noting the deficiency. If the problem has not been corrected within 30 calendar days after being noted, the commander must report the problem through DoW Component channels to the Director, DFAS (or designee).

27.4.4.2.5.3. The MBF contractor and military disbursing officers must establish cash management practices that minimize the cash required to conduct business.

27.4.4.2.5.4. Installation commanders must assist MBF contractors in developing and updating contingency plans for banking services in the event of hostilities or other emergencies. Plans must be reviewed and updated yearly by installation commanders and MBF personnel.

27.4.4.2.5.5. MBF provision of foreign currency must be in accordance with Volume 5.

27.4.4.3. Other Overseas Banks and ATMs

27.4.4.3.1. Authorized Customers. The list of authorized customers must be negotiated between the installation commander and the foreign bank and must be reflected in the operating agreement. The list of authorized customers included in the operating agreement must be consistent with the applicable status of forces agreement, other intergovernmental agreements, or host-country law.

27.4.4.3.2. Services Rendered. Services and charges must parallel, whenever practical, the services and charges of MBFs and ATMs operated under contract. Negotiate and include specific services in the agreement with the foreign bank. A copy of the agreement must be sent through the Secretary of the Military Department concerned (or designee) to the Director, DFAS (or designee).

27.4.4.3.3. Operating Agreements. Before agreements are executed, they will be coordinated with and approved by the cognizant Combatant Command (or designee). Copies of agreements must be forwarded through DoW Component channels to the Secretary of the Military Department concerned (or designee) to the Director, DFAS (or designee).

27.4.4.3.4. Conditions of Operation. A foreign bank must provide equipment (except that furnished by the installation or community), supplies, and trained personnel.

27.4.4.4. Relocations of and Modifications to MBFs or Other MBF Facilities

When an MBF is proposed to be moved from one location to another at the same installation or community, or for any relocation or modification to MBFs or other MBF facilities the commander must provide detailed information about and supporting the relocation to the Secretary of the Military Department concerned (or designee), through command channels. The Secretary of the Military Department concerned (or designee) must forward the information to the Director, DFAS (or designee) for approval and assistance prior to relocation or modification.

27.4.4.5. Information Requirements. Installation or community commanders must send the following information through DoW Component channels to the Director, DFAS (or designee) for any of the following when known, or no less than annually by 30 January each year:

27.4.4.5.1. Major changes in installation population affecting the use of the MBF or MBF ATMs.

27.4.4.5.2. Opinion that the space assigned is not adequate for the efficient operation of the MBF including a statement concerning corrective action.

27.4.4.5.3. Suggestions that might improve the MBF operation, increase efficiency, or decrease costs.

27.4.4.5.4. Pending developments, including training exercises, that may have a material impact on the MBF operation.

27.4.5. Termination

Requests to eliminate any or all MBFs in a foreign country must include documentation that the U.S. Chief of Diplomatic Mission has been informed and that arrangements for local termination announcements and procedures have been made with the U.S. Embassy.

27.4.5.1. Overseas MBFs Operated Under Contract. In cases where an installation or community no longer can justify overseas MBF operations, the commander must notify the Secretary of the Military Department concerned (or designee) through command channels.

27.4.5.1.1. The report must state whether a part-time MBF must be established and specify the days each week that the MBF would be needed.

27.4.5.1.2. The Secretary of the Military Department (or designee) must send this report with recommendations to the Director, DFAS (or designee).

27.4.5.2. Other Overseas Banking Offices. Termination actions, when required, must be taken in accordance with the applicable clauses in the operating agreement. Notice of intent to terminate, including the closing date, must be sent through DoW Component channels to the Director, DFAS (or designee), who notifies the Treasury so that the foreign banking institution's authority as a Depositary and Financial Agent of the U.S. Government at that location may be revoked.

27.5 Credit Unions Operating On Domestic DoW Installations

27.5.1. General Policy

27.5.2. Establishment

27.5.2.1. A demonstrated need for credit union services may be addressed by establishing a new full-service credit union or by opening a branch office or facility of an existing credit union under the common bond principle.

27.5.2.2. DoW personnel seeking to establish a new full-service credit union must submit a proposal to the installation commander for review. In addition to the information identified in subparagraph 27.3.1.1, the proposal must include a request for the establishment of a field of membership that includes all personnel at the installation. Upon installation commander concurrence, forward the proposal through DoW Component channels to the Secretary of the Military Department (or designee).

27.5.2.3. The Secretary of the Military Department concerned (or designee) must:

27.5.2.3.1. Obtain a list of credit unions that could establish eligibility to serve the installation's military members and civilian employees from the National Credit Union Administration (NCUA) Regional Office that has geographic jurisdiction and the applicable state regulatory agency.

27.5.2.3.2. Prepare and send formal solicitation letters to eligible credit unions informing them of an opportunity to establish a branch office at the installation.

27.5.2.3.3. In coordination with the installation commander, establish the criteria for selection of a specific credit union in accordance with subparagraph 27.3.2.4. Proposals must be evaluated, and a selection made, based upon the factors and weights developed for the solicitation.

27.5.2.4. Upon approval by the Secretary of the Military Department (or designee), the NCUA or applicable state regulatory agency must be notified and asked to establish or amend the selected credit union's charter to include the new location.

27.5.2.5. No commitment may be made to a credit union regarding its proposal until the appropriate regulatory agency has approved the requested charter change.

27.5.3. Terminations

27.5.3.1. The installation commander must approve requests for termination of an on-base credit union, substantiated by sufficient evidence, and forward to the Secretary of the Military Department concerned (or designee). The installation commander must initiate the termination of on-base credit union operations only under one of the following conditions:

27.5.3.1.1. The installation mission has changed or is scheduled to be changed, thereby eliminating, or substantially reducing the requirement for financial services.

27.5.3.1.2. Active military operations prevent the continuation of on-base financial services.

27.5.3.1.3. The credit union's performance in providing services is not satisfactory according to standards ordinarily associated with the financial services industry or is inconsistent with the operating agreements or this chapter. Installation commander written communication with local credit union leadership must be undertaken to attempt to resolve matters prior to making this determination.

27.5.3.1.4. When merger, acquisition, change of control, or other action results in violation of the terms and conditions of the existing operating agreement, the Secretary of the Military Department (or designee) must terminate the operating agreement with the existing credit union. When the merger, acquisition, change of control, or other action does not result in violation of the terms and conditions of the existing operating agreement, the Secretary of the

Military Department (or designee) must novate the operating agreement identifying the change in control.

27.5.3.2. The installation commander must forward approved requests for termination of an on-base credit union, substantiated by sufficient evidence, to the Secretary of the Military Department concerned (or designee). The Secretary of the Military Department (or designee) must review all termination actions to ensure compliance with this chapter and coordinate all termination actions with the USW(C), through the Director, DFAS, before the Secretary of the Military Department (or designee) provides notification to the appropriate regulatory agency if required. After this coordination process:

27.5.3.2.1. The Secretary of the Military Department (or designee) will notify the installation commander if the termination is in accordance with this chapter and if so, the installation commander must notify the on-base credit union of the termination. The installation commander must establish a departure date and revoke the authority of the credit union to operate on the installation via termination of the lease or lease-like instrument and operating agreement.

27.5.3.2.2. If the termination is not in accordance with this chapter, the request will be returned by the Secretary of the Military Department (or designee) to the installation commander for remediation or dismissal.

27.5.3.3. A credit union that intends to voluntarily terminate its on-base operations must notify the installation commander in writing on official letterhead at least 180 days before the proposed closing date. Within the notification, the credit union must identify reasons for termination. This notification and an acknowledgment from the installation commander must precede any public announcement of the planned closure. When appropriate, the installation commander may attempt to negotiate an agreement permitting the credit union to continue operations until the installation has made other arrangements. Immediately upon notification of a termination, the installation commander must advise the DoW Component headquarters concerned. If the continuation of financial services is justified, action to establish another on-base FI must be taken in accordance with paragraph 27.3.1, paragraph 27.5.1, or both, depending on if another FI is currently operating on-base. A copy of the voluntary termination notification must be forwarded through command channels to the Director, DFAS (or designee).

27.5.3.4. Termination of Lease. The lessee must provide written notice 180 days prior to a voluntary termination of the lease. Upon lease termination, the government has the option to cause the title of all structures and other improvements to be conveyed to the United States without reimbursement or require the lessee to remove the improvements and restore the land to its original condition.

27.5.4. Use of Space, Logistical Support, and Military Real Property for Domestic Credit Unions.

27.5.4.1. Criteria for Use of Space in Government-owned Real Property or Federal Land.

27.5.4.1.1. Criteria governing the assignment of space and construction of new space for credit unions are in the MIL-STD-3007F.

27.5.4.1.2. A credit union may be furnished space on a DoW installation at one or more locations for periods not to exceed five years except where the credit union uses its own funds to improve existing government space as outlined in subparagraphs 27.5.4.1.2.3 and 27.5.4.1.2.4. The cumulative total of space furnished must be subject to the limitations of the MIL-STD-3007F.

27.5.4.1.2.1. The furnishing of office space and/or land (including ATM placement) to on-base credit unions is governed by the Federal Credit Union Act (12 U.S.C § 1770). Notwithstanding any other provision of law, upon application by any credit union, the provision of no-cost federal office space or no-cost land lease is for a period not to exceed 5 years. This is limited to credit unions if at least 95 percent of the membership to be served by the allotment of space or the facility built on the leased land is composed of individuals who are, or who were at the time of admission into the credit union, military personnel or federal employees, or members of their families.

27.5.4.1.2.1.1. A written statement to the effect that the credit union meets the 95 percent criterion is required to justify and document the allotment of free government space and/or land. This statement must be prepared on the credit union's letterhead and signed by either the chairman of the board of directors or the president.

27.5.4.1.2.1.2. A certification must also be required whenever there is a merger, takeover, or significant change in a field of membership. This certification serves as justification and documentation for the continued allocation of free government space including space renovated with credit union funds and/or the free lease of land.

27.5.4.1.2.1.3. Update the statement every 5 years and on renewal of each no-cost permit or license. (See Figure 27-3 for a sample format of the statement.)

27.5.4.1.2.2. Credit unions that fail to meet the 95 percent criterion must be charged fair market rental for space provided. Except where more than one credit union exists on an installation prior to June 9, 2000, credit unions giving less than full service or not serving all assigned DoW personnel are not authorized no-cost office space.

27.5.4.1.2.3. When a credit union that meets the 95 percent criterion uses its own funds to expand, modify, or renovate government-owned space, it may be provided a no-cost permit or license for a period commensurate with the extent of the improvements not to exceed 25 years as determined by the DoW Component concerned. The permit or license must be effective until the agreed date of expiration or until the credit union ceases to satisfy the 95 percent criterion. In this latter case, the no-cost permit must be canceled in favor of a lease immediately negotiated at fair market value under the provisions of subparagraph 27.5.4.1.2.4. If the credit union desires, this permit or license may extend through the period identified in the original permit or license not to exceed 25 years.

27.5.4.1.2.4. Similarly, a credit union not meeting the 95 percent criterion that uses its own funds to expand, modify, or renovate government-owned space, may be provided a lease at fair market value for a period not to exceed 25 years subject to periodic review every 5 years to assess changes in fair market value. The duration of this lease must be commensurate with the extent of the improvements as determined by the DoW Component concerned.

27.5.4.1.3. All space assigned by the GSA, whether leased or in a federal office building, is reimbursable to the GSA at the standard level user charge. Consequently, the GSA must charge the benefiting DoW Component for any space assigned for credit union operations. Such space is subject to the provisions of subparagraphs 27.5.4.1.1 and 27.5.4.1.2.

27.5.4.2. Logistical Support. When available, custodial and janitorial services including garbage disposal and outdoor maintenance (such as grass cutting and snow removal), heating and air conditioning, utilities (i.e., electricity, natural gas or fuel oil, water, and sewage), fixtures, and maintenance must be furnished without cost to credit unions occupying no-cost office space in government buildings. Apart from intra-station telephone service, credit unions must pay for all communication services to include telephone lines, long-distance data services and internet connections. Credit unions also must pay for space alterations. Should a credit union fail to meet the 95 percent membership criterion, any logistical support furnished must be on a reimbursable basis.

27.5.4.3. Leases executed before the issuance of this chapter, see subparagraph 27.3.4.3.

27.5.4.4. When a credit union participates in the construction of a shopping mall complex the lease must cover only land where the branch or facility physically is located.

27.5.4.5. Administrative Fees. The installation bears all administrative fees associated with the initiation, modification, or renewal of an outgrant, provided that the credit union satisfies the 95 percent membership criterion requirement for no-cost office space as outlined in subparagraph 27.5.4.1.2.1 and that the fees are associated with the no-cost space.

27.5.5. Land Leases

Credit unions entering a land lease to construct a building on a DoW installation must be provided a no-cost land lease, if they meet the 95 percent criterion established in subparagraph 27.5.4.1.2.1. Credit unions not meeting the 95 percent criterion must enter into a land lease in accordance with subparagraph and subparagraph 6.4.1.2.2 and paragraph 4.6.

27.5.6. Construction

Credit unions constructing a building on a DoW installation must do so in accordance with paragraph 27.3.6.

27.5.7. ATM Service

Credit unions offering ATM service must do so in accordance with paragraph 27.2.5.

27.6 Overseas Credit Unions

27.6.1. General Policy

27.6.2. Establishment

27.6.2.1. Commanders must notify the Secretary of the Military Department concerned (or designee), through command channels, when overseas credit union services are needed. Such requests must include:

27.6.2.1.1. Full information about available space and logistical support.

27.6.2.1.2. The name and location of the nearest credit union facility or branch.

27.6.2.1.3. The distance between the installation and the nearest credit union facility or branch.

27.6.2.1.4. The availability of any official or public transportation.

27.6.2.1.5. The number of DoW personnel in duty assignments that confine them to the installation or who cannot obtain transportation (such as hospital patients).

27.6.2.1.6. In countries not presently served, a statement concurred by the cognizant Combatant Command that the requirement has been coordinated with the U.S. Chief of Diplomatic Mission or U.S. Embassy. The statement must include the host country permits credit union operations and indicate any conditions imposed by the host country with respect to those operations.

27.6.2.2. After approval of the request from the installation or community commander to establish an overseas credit union facility, the Secretary of the Military Department concerned (or designee) must solicit proposals for the provision of full credit union services under the following provisions.

27.6.2.2.1. Where there is a DoW-designated geographic franchise with a specific field of membership, the Secretary of the Military Department (or designee) must direct the installation or community commander to contact the supporting credit union and request that a branch or facility be established. The basic decision concerning such extensions of service rests with the servicing credit union. The Director, DFAS (or designee) must maintain a listing of all geographic franchises assigned to credit unions serving DoW overseas installations.

27.6.2.2.2. Where there is no DoW designated geographic franchise, the Secretary of the Military Department (or designee) must:

27.6.2.2.2.1. Coordinate requests, through the Director, DFAS (or designee), to obtain a geographic franchise. A geographic franchise is the authorization granted to a credit union by the Office of the Under Secretary of War (Comptroller) (OUSW(C)) to provide financial services in a specific geographic region located outside the United States, its territories, and possessions.

27.6.2.2.2.2. Solicit proposals from credit unions currently operating on DoW installations.

27.6.2.2.2.3. Review proposals of interested credit unions.

27.6.2.2.2.4. Coordinate with field commands, as needed.

27.6.2.2.2.5. Recommend selection to the NCUA or applicable state regulatory agency with a copy to the DFAS and the OUSW(C), requesting that the appropriate field of membership adjustment be made. Such a recommendation must identify the primary installations on which the credit union would operate and, if applicable, the contiguous geographic boundaries for future facilities and branches.

27.6.2.3. Where there is an existing field of membership, the Secretary of the Military Department concerned (or designee) must take the following actions:

27.6.2.3.1. If a credit union on an installation terminates operation, afford any other credit union having a geographic franchise within that country an opportunity to assume the franchise being vacated. If all such institutions decline, offer the geographic franchise to the federally insured credit union community. If, as a result of a credit union's decision to decline service to an installation or a termination action, another credit union (a) offers to provide service, (b) meets host-country requirements (if any), and (c) is assigned the former geographic franchise or portion thereof, notify the NCUA or the applicable state regulatory agency and request appropriate field of membership adjustments.

27.6.2.3.2. When other credit union(s) having a geographic franchise within a country decline the opportunity, or there is no other credit union having a franchise within that country, the provisions of paragraph 27.6, apply.

27.6.2.4. No commitment may be made to a credit union regarding its proposal until the appropriate regulatory agency has announced a selection.

27.6.3. Logistical Support Services

Installation or community commanders must provide credit unions logistical support services on a non-reimbursable basis unless otherwise identified. Such support normally must include:

27.6.3.1. Adequate office space, including steel bars; grillwork; security doors; vaults; safes; security alarm systems and camera surveillance equipment (where deemed

necessary) that meet documented requirements of the credit union's insurance carrier; construction of counters, teller cages, and customer and work areas; necessary modifications and alterations to existing buildings. The size and arrangement of space should permit efficient operations. The credit union must pay for all improvements to the space given. The space assigned may not exceed that prescribed in the MIL-STD-3007F.

27.6.3.2. DoW housing on a rental-paying basis to key credit union personnel unable to find suitable, reasonably priced housing in the vicinity of the DoW installation, if available.

27.6.3.3. Education, on a space-available, tuition-paying basis, provided by the DoW Education Activity to minor dependents of assigned staff.

27.6.3.4. Utilities (i.e., electricity, natural gas or fuel oil, water, and sewage), heating, intra-station telephone service, and custodial and janitorial services.

27.6.3.5. DSN voice and data communication to include, where available, internet access.

27.6.3.6. U.S. Military Postal Service support under DoWD 5101.11E. The use of free IDS is authorized for all routine mail sent and received between APOs and FPOs within a theater.

27.6.3.7. Military guards, civilian guards (for use within the installation), military police, or other protective services to accompany shipments of money from the MBF to the credit union and from the credit union to the MBF where it is impractical or not authorized to have a local armored car service or civilian police authorities entering a military installation to provide cash escort service or when the cost of obtaining such service is prohibitive. Provide this level of protective service at other times as required including replenishment of ATM currency and receipts, alarm system failures, and avoiding undue risks or insurance costs.

27.6.4. Travel

Travel by credit union officials must be at no expense to the U.S. Government. Overseas commanders may issue invitational travel orders for official on-base visits by credit union officials at no cost to the U.S. Government.

27.6.5. Operations

27.6.5.1. An overseas credit union must confine its field of membership to individuals or organizations eligible by law or regulation to receive services and benefits from the installation. Services must not be provided to individuals or organizations precluded such services by the applicable status of forces agreement, other intergovernmental agreements, or host-country law.

27.6.5.2. The Department assigns overseas credit unions a prescribed geographic franchise. Any credit union, however, may continue to serve its members stationed overseas by mail or telecommunications, including via the Internet.

27.6.5.3. A credit union proposing a new service to be offered by a branch office that is not authorized by the operating agreement must coordinate the establishment of the new service through the cognizant Component command to the Combatant Command. The new service must be offered only after the appropriate command's approval and coordination with the U.S. Chief of Diplomatic Mission or U.S. Embassy to ensure that the service does not conflict with the applicable status of forces agreement, other intergovernmental agreements, or host-country law. The new service must be reflected as an amendment to the operating agreement.

27.6.5.4. Credit unions that operate full-service branches must have U.S. currency and coin available for member transactions. In areas served by currency custody accounts, transactional U.S. currency and coins must be made available from the servicing MBF with no direct or analysis charge to the credit union, provided settlement is made via the local MBF account or equivalent arrangements are made with the MBF.

27.6.5.5. In countries served by MBFs operated under contract, credit unions must purchase foreign currency only from the servicing MBF.

27.6.5.5.1. The bulk rate purchase price must apply to currency used by the credit union to make payments to vendors or to make payroll payments.

27.6.5.5.2. Credit unions that desire and are authorized to provide accommodation exchange services to members must only acquire foreign currency from the servicing MBF at the MBF accommodation rate and resell such foreign currency at a rate of exchange no more favorable than the customer rate available at the MBF.

27.6.5.6. Credit unions operating under a geographic franchise on an overseas DoW installation must not publicize, display, or sell vehicles on the installation.

27.6.5.7. The NCUA or applicable state regulatory agency may review operations of overseas credit union offices either when it examines the main credit union or at other times of its choosing. For federally insured, state-chartered credit unions, the applicable state regulatory agency also may examine credit unions operations.

*Figure 27-1: Guidelines for Application of the Privacy Act to Financial Institution Operations

1. The following guidelines govern the application of 32 CFR § 230, "Financial Institutions on DoW Installations" to those FIs that operate under this Regulation:

A. FIs and their branches and facilities operating on DoW military installations do not fall within the purview of 5 U.S.C. § 552 et seq.

1. These FIs do not fit the definition of “agency” to which the Privacy Act applies: “...any executive department, Military Department, government corporation, government-controlled corporation, or other establishment in the executive branch of the government (including the Executive Office of the President), or an independent regulatory agency” (5 U.S.C. §§552(e) and 552a(a)(1)).

2. These FIs are not “government contractors” within the meaning of 5 U.S.C. § 552a(o), as they do not operate a system of records on behalf of an agency “...to accomplish an agency function.” According to the Office of Management and Budget (OMB) Privacy Act Guidance, the provision relating to government contractors applies only to systems of records “...actually taking the place of a federal system which, but for the contract, would have been performed by an agency and covered by the Privacy Act.” Clearly, the subject institutions do not meet these criteria.

3. Since the Act does not apply to them, these FIs are not required to comply with 5 U.S.C. § 552a(e)(3) in obtaining and making use of personal information in their relationships with personnel authorized to use such institutions. Thus, these institutions are not required to inform individuals from whom information is requested of the authority for its solicitation, the principal purpose for which it is intended to be used, the routine uses that may be made of it, or the effects of not providing the information. There also is no requirement to post information of this nature within on-base banking and credit union offices.

B. The FIs concerned hold the same position and relationship to their account holders, members, and to the government as they did before the enactment of OMB Circular A-130. Within their usual business relationships, they still are responsible for safeguarding the information provided by their account holders or members and for obtaining only such information as is reasonable and necessary to conduct business. This includes credit information and proper identification, which may include social security number, as a precondition for the cashing of checks.

C. FIs may incorporate the following conditions of disclosure of personal identification in all contracts, including loan agreements, account signature cards, certificates of deposit agreements, and any other agreements signed by their account holders or members:

Figure 27-1: Guidelines for Application of the Privacy Act to Financial Institution Operations (Continued)

I hereby authorize the Department of War and its various Components to verify my social security number or other identifier and disclose my home address to authorized (name of FI) officials so that they may contact me in connection with my business with (name of FI). All information furnished will be used solely in connection with my financial relationship with (name of FI).

When the FI presents such signed authorizations, the receiving military command or installation must provide the appropriate information.

D. Even though an agreement described in subparagraph A.3., has not been obtained, DoW may provide these FIs with salary information and, when pertinent, the length or type of civilian or military appointment, consistent with 32 CFR § 230 and DoWD 5400.07. Some examples of personal information pertaining to DoW personnel that normally can be released without creating an unwarranted invasion of personal privacy are name, rank, date of rank, salary, present and past duty assignments, future assignments that have been finalized, office phone number, source of commission, and promotion sequence number.

E. When DoW personnel with financial obligations are reassigned and fail to inform the FI of their whereabouts, they should be located by contacting the individual's last known commander or supervisor at the official position or duty station within that particular DoW Component. That commander or supervisor either must furnish the individual's new official duty location address to the FI or must forward, through official channels, any correspondence received pertaining thereto to the individual's new commander or supervisor for appropriate assistance and response. Forward correspondence to the individual concerned at his or her last official place of business or duty station as provided by postal regulations to the new location. Once an individual's affiliation with DoW is terminated through separation or retirement, however, the Department's ability to render locator assistance (i.e., disclose a home address) is severely curtailed unless the public interest dictates disclosure of the last known home address. The Department may, at its discretion, forward correspondence to the individual's last known home address. The Department may not act as an intermediary for private matters concerning former DoW personnel who are no longer affiliated with the Department.

2. Questions concerning this guidance should be forwarded through channels to the Deputy Chief Financial Officer, Office of the Under Secretary of War (Comptroller), The Pentagon, Washington, DC 20301-1100.

Figure 27-2: Sample Operating Agreement (OA) Between Installation Commanders and Financial Institutions (FI)

NOTE: The following operating agreement may be used as a template. Content of the actual operating agreement constructed for use between an installation commander and an FI may vary according to the circumstances of each installation but must align with this issuance.

Operating Agreement Between (Name of Installation), (State or Country Installation Located) and (Name of Financial Institution)

This agreement is made and entered into this day by and between the installation commander of (name of installation) in their official capacity as installation commander, hereinafter referred to as the "commander" and the (name of FI), having its principal office at (location of home office) hereinafter referred to as the "FI," together hereinafter referred to as "the parties." Whereas the commander and the FI enter into this OA upon the mutual consideration of the promises, covenants, and agreements hereinafter contained.

1. The parties understand and agree that this OA in no way modifies, changes, or alters the terms and conditions of Lease Number (number of lease) covering the use of real property described therein.

2. The FI agrees to operate a (federally or state) chartered office on-base in accordance with the policies and procedures set forth in DoW Financial Management Regulation Volume 12, Chapter 33. The hours of operations are between (hour office opens) and (hour office closes), and on the following days (weekdays office open), except on government holidays when the FI may be closed.

3. The parties have agreed the FI will provide the following services:

a. Services for Individuals

- (1) Demand (checking) account services
- (2) Cashing personal checks and government checks for accountholders
- (3) Maintaining savings accounts and (any other interest-bearing accounts)
- (4) Selling official checks, money orders, and traveler's checks
- (5) Selling and redeeming United States savings bonds
- (6) Providing direct deposit service
- (7) Loan Services

Figure 27-2. Sample Operating Agreement Between Installation Commanders and FIs (Continued)

- (8) Electronic banking (i.e., ATMs, internet banking).

b. Services for Disbursing Officers and their agents

(1) Furnishing cash (if the FI's terms for doing so are consistent with sound management practices)

(2) Accepting deposits for credit to the Treasury General Account (where the FI has entered into an agreement with the Treasury).

c. Services for NAFIs and Private Organizations

- (1) Demand (checking) account services, including wire transfers
- (2) Savings accounts and nonnegotiable certificates of deposit or other interest-bearing accounts offered by the banking institution
- (3) Currency and coin for change.

4. Service charges proposed by the FI and accepted by the installation commander are as follows:

a. Service for Individuals

No fees may be charged to individuals for the services listed in subparagraphs 3.a.(2), and 3.a.(5), except for subparagraph 3.a.(2), wherein checks drawn on other FIs may be treated in accordance with the FI's established policy. Any charge to cash a government check must not exceed that typically charged by FIs in the vicinity of the installation. Fees assessed to accountholders and non-accountholders for use of ATMs must be the customary service charges of the FI or those negotiated for base personnel per the attached schedule.

(2) Checking and savings accounts. Fees for individual checking and savings accounts must be the customary service charges of the FI or those negotiated for base personnel per the attached schedule.

(3) Sale of official checks, money orders, traveler's checks, and other types of financial paper. Charges for these services must be the customary charges of the FI operating the on-base office.

Figure 27-2. Sample Operating Agreement Between Installation Commanders and FIs (Continued)

b. Service for Disbursing Officers and their agents. No charge is made for the services listed in subparagraph 3.b.(2). Compensation to the FI must be per its separate agreement with the Treasury. Charges, if any, for the services stated in subparagraph 3.b.(1) must be as locally negotiated with the FI.

c. NAFIs and Private Organizations. State the charges or refer to a schedule of charges for funds and organizations that do not participate in a central banking program. For those activities participating in a central banking program, determine the compensation to the FI by account analysis.

5. It is agreed that the FI must:

a. Negotiate with the commander (or designee) for any proposed changes to the attached schedule of fees and services at least 30 days prior to proposed implementation.

b. Comply with Volume 12, Section 24, and any changes thereto.

c. Comply with Treasury requirements for the establishment and operation of a Treasury General Account where the FI agrees to act as a depository for government funds.

d. Absolve the (Military Department) and its representatives of responsibility or liability for the financial operation of the FI; and for any loss (including losses due to criminal activity), expenses, or claims for damages arising from FI operations.

e. Indemnify and hold harmless the United States from (and against) any loss, expense, claim, or demand, including attorney fees, court costs, and costs of litigation, to which the government may be subjected as a result of death, loss, destruction, or damage in connection with the use and occupancy of (Military Department) premises occasioned in whole or in part by officers, agents or employees of the FI operating an office of the FI.

f. Favorably respond, whenever feasible, to reasonable local command requests for lectures and printed materials to support consumer credit education programs, financial management program, and newcomer's briefings.

g. Prominently post in the lobby of the FI the name, duty telephone number of the (Bank or Credit Union) Liaison Officer.

h. Accept the government travel card in all on-base ATMs operated by the FI.

Figure 27-2. Sample Operating Agreement Between Installation Commanders and FIs (Continued)

i. Abide by the installation fire protection program, including immediate correction of fire hazards noted by the installation fire inspector during periodic fire prevention inspections.

j. Furnish copies of its financial reports and other local publications on an "as needed" basis in response to the installation commander's (or designee's) formal request.

6. The commander must provide the following space and support:

a. Space requirements for FI operations must be administered in accordance with the existing outgrant (i.e., lease, permit, or license). (Show Number of Outgrant).

b. Utilities (i.e., electricity, natural gas or fuel oil, water, and sewage), heating and air conditioning, intra-station telephone service, and custodial and janitorial services to include garbage disposal and outdoor maintenance (such as grass cutting and snow removal) in accordance with Volume 12, Section 24.

c. DoW housing and minor dependent education in overseas locations for FI personnel in accordance with Volume 12, Section 24.

d. Determination of the recurring/frequency requirement for installation access and issue the appropriate installation and/or facility access credential consistent with local security requirements using Government authoritative databases for vetting purposes, as prescribed in DoWM 5200.08, Vol. 3: "Physical Security Program: Access to DoW Installations."

7. Termination of this OA must be consistent with the termination provision of the real property lease and the provisions within Volume 12, Section 24.

8. Any provision of this Agreement that is contrary to or violates any laws, rules, or regulations of the United States, its agencies, or the state of (state in which the FI is located) that apply on federal installations is void and have no force or effect; however, both parties to this Agreement agree to notify the other party promptly of any known or suspected continuing violation of such laws, rules, or regulations.

9. So long as this Agreement remains in effect, it must be reviewed jointly by the commander and the FI at least once every 5 years to ensure compatibility with current DoW issuances and to determine if any changes are required to the Agreement.

Figure 27-2. Sample Operating Agreement Between Installation Commanders and FIs (Continued)

IN WITNESS WHEREOF, the commander and the FI, by their duly authorized offices, have hereunto set their hands this day of (month, day, year).

FINANCIAL INSTITUTION OFFICIAL

INSTALLATION COMMANDER

Figure 27-3: Sample Certificate of Compliance for Credit Unions

I, (name), Chairman of the Board of Directors or President of the (credit union), located at (place), certify that this credit union complies with the requirements of the Federal Credit Union Act (12 U.S.C. § 1770), for the allotment of space in federal buildings without charge for rent or services. The provision of no-cost office space is limited to credit unions if at least 95 percent of the membership to be served by the allotment of space is composed of individuals who are, or who were at the time of admission into the credit union, military personnel or federal employees, or members of their families.

(Date) _____ (Name _____)
(Chairman of the Board of Directors or the President)

(Note: The Certificate of Compliance must be written on credit union letterhead)

28.0 DIRECT ACCEPTANCE OF GIFTS BY MEMBERS OF THE ARMED FORCES, DEPARTMENT OF WAR EMPLOYEES AND THEIR FAMILIES AND SURVIVORS

28.3 Criteria for Gift Acceptance

28.3.1. Nonprofit organizations, private parties, and other sources outside DoW. The following individuals may accept gifts from nonprofit organizations, private parties, and other sources outside DoW:

28.3.1.1. A member of the armed forces described in subparagraph 28.3.2.

28.3.1.2. A civilian employee of the DoW described in subparagraph 28.3.3.

28.3.1.3. The family members of such a member or employee.

2.4.1.4. Survivors of such a member or employee who is killed.

28.3.2. Covered members. Applies to a member of the armed forces who, while performing active duty, full-time National Guard duty, or inactive-duty training on or after September 11, 2001, incurred an injury or illness:

28.3.2.1. As described in section 10 U.S.C. 1413a(e)(2);

28.3.2.2. In an operation or area designated as a combat operation or a combat zone, respectively, by the Secretary of War in accordance with the regulations prescribed under subparagraph 28.3.1; or

28.3.2.3. That results in enrollment in a Warriors in Transition program, as defined in section 738(e) of the National Defense Authorization Act for Fiscal Year 2013 (Public Law 112-239; 10 U.S.C. 1071 note);

28.3.2.4. Under other circumstances determined by the Secretary concerned to warrant treatment analogous to members covered by subparagraph 28.3.1.1.

28.3.3. Covered Employees. Applies to a civilian employee of the DoW who, while an employee on or after September 11, 2001, incurred an injury or illness under a circumstance described in subparagraph 28.3.2.

28.3.4. Gifts From Certain Sources Prohibited. Members and employees may not accept a gift from a foreign government or international organization or their agents under this authority.

28.3.5. Application of Certain Regulations. These regulations apply to the acceptance of gifts received after the date of the enactment of the National Defense Authorization Act for Fiscal Year 2012 for injuries or illnesses incurred on or after September 11, 2001. The military services must apply uniformly to all elements of the DoW and require review and approval by an ethics

counselor before acceptance of a gift to ensure that acceptance of the gift complies with the Joint Ethics Regulation.

28.4 Responsibilities

28.4.1. USW(P&R)

The USW(P&R) has the overall oversight responsibility on the implementation of this guidance. USW(P&R) monitors compliance with the provisions of this chapter pursuant to DoW Directive 5124.02.

28.4.2. Secretary Concerned

The Secretary concerned determines whether an event occurring within his or her jurisdiction meets the criterion of “other circumstances” as described in Volume 12 Section 28, paragraph 28.1.

28.4.3. Designated Agency Ethics Official

The relevant designated agency ethics official ensures that an ethics counselor reviews and, when appropriate, approves the acceptance of a gift in accordance with 10 U.S.C. § 2601a (a)(2)(B). That review and approval includes a determination that: (1) the gift is not offered in a manner that specifically discriminates among covered members or employees on the basis of type of official responsibility or favors those of higher rank or pay; (2) the donor does not have interests that may be affected substantially by the performance or nonperformance of the covered member’s or employee’s official duties; and (3) acceptance would not cause a reasonable person with knowledge of the relevant facts to question the integrity of DoW programs or operations.