VOLUME 3, CHAPTER 15: "RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – EXECUTION LEVEL"

SUMMARY OF MAJOR CHANGES

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

Substantive revisions are denoted by an asterisk (*) symbol preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by ***bold, italic, blue, and underlined font***.

The previous version dated February 2022 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
All	Administrative changes including format changes, internet hyperlink additions and corrections, and minor clarifying language in accordance with the Department of Defense Financial Management Regulation Revision Standard Operating Procedures.	Revision
1.3.5	Updated reference to Deputy Chief Financial Officer memorandum, "Accounting for Internal Fund Distributions - Interpretation Guidance for General Fund Direct and Reimbursable Resources."	Revision

Table of Contents

CHAPTER 15

RECEIPT AND DISTRIBUTION OF BUDGETARY RESOURCES – EXECUTION LEVEL

1.0 GENERAL

1.1 Overview

The execution level budgetary and proprietary accounts record the receipt of an allotment issued by a higher authority, such as the Office of the Secretary of Defense (OSD) or the Assistant Secretary of a Military Department (Financial Management and Comptroller). They also track the further distribution of funds, including the subdivision of the allotment (suballotment, allocation, or suballocation) between a major command and an execution-level activity or among execution-level activities.

1.2 Purpose

This chapter establishes standards for recording the receipt and subsequent distribution of budgetary resources during execution-level activities. It outlines the accounting standards for receiving and executing allotments, commitments, obligations, reimbursements, and borrowing authority. The accounting transactions discussed in this chapter often require a compound entry, meaning that entries must be made in both the budgetary and proprietary accounts. Refer to ***Chapter 13***, "Receipt and Distribution of Budgetary Resources – Departmental Level" for departmental-level requirements and ***Chapter 14***, "Receipt and Distribution of Budgetary Resources – Departmental Level" for intermediate-level requirements.

1.3 Authoritative Guidance

1.3.1. ***Title 42, United States Code, section 3374*** (42 U.S.C. §3374), "Acquisition of property at or near military bases which have been ordered to be closed and certain property owned by members of the Armed Forces, Department of Defense and United States Coast Guard civilian employees, and surviving spouses."

1.3.2. Office of Management and Budget ***(OMB) Circular A-11***, "Preparation, Submission, and Execution of the Budget."

1.3.3. United States Department of the Treasury (Treasury) ***Treasury Financial Manual***, (TFM).

1.3.4. TFM United States Standard General Ledger ***(USSGL)***.

* 1.3.5. ***Deputy Chief Financial Officer memorandum***, "Accounting for Internal Fund Distributions - Interpretation Guidance for General Fund Direct and Reimbursable Resources," dated March 23, 2023.

1.3.5.1. ***Attachment 1***, "GF Scenario – Internal Fund Distribution – TI-097."

1.3.5.2. ***Attachment 2***, "GF Scenario – Internal Fund Distribution – MILDEPs."

1.3.6. ***DoD Directive 4165.50E***, "Homeowners Assistance Program (HAP)."

2.0 DEFINITIONS

Unless otherwise noted, these terms and their definitions are for the purposes of this chapter.

2.0.1. Departmental-Level. Involves recording receipt and distribution of budgetary resources at the department-level, headquarters, or OSD level, as discussed in Chapter 13.

2.0.2. Intermediate-Level. Involves recording receipt and distribution of budgetary resources using the intermediate-level accounts, as discussed in Chapter 14. An example of the intermediate level would be a Command within a Military Department that has received the initial funding.

2.0.3. Execution-Level. Involves recording receipt and distribution of budgetary resources using the execution-level budgetary accounts as discussed in this chapter.

3.0 STANDARDS

3.1 Accounts

3.1.1. DoD Standard Chart of Accounts (***SCOA)*** (see ***Volume 1, Chapter 7***, "Department of Defense Standard Chart of Accounts"), which includes the DoD Standard General Ledger accounts established for use at the departmental level;

3.1.2. ***DoD USSGL Transaction Library***, which includes the budgetary and proprietary accounting entries established for enterprise reporting; and

3.1.3. DoD Accounting Scenarios, which include two Internal Fund Distribution scenarios, "TI-097 General Funds" and "Military Department General Funds," that identify the posting logic and appropriate accounts for recording the issuance and closure of budgetary resources at all three levels (Departmental, Intermediate, and Execution).

3.2 Requirements for Allotments Received

3.2.1. The budgetary authority is distributed formally through allotment, suballotment, allocation, and suballocation. The OMB Circular A-11, Appendix H, defines these terms and establishes a specific subdivision hierarchy(see ***Volume 14, Chapter 1***, "Administrative Control of Funds"). These subdivisions allocate budget authority to execution-level accounting activities and authorize the incurrence of obligations within a specified amount. This chapter will use only the term allotment.

3.2.2. Any formal subdivision of funds must include at least the same statutory and other limitations that apply to the original apportionment.

3.2.3. Although an allotment document format is not prescribed, it must disclose specific classifications and limitations that the accounting records must track. For instance, an appropriation committee may specify that a certain amount has been added to an appropriation for a particular purpose. To ensure that the congressional intent is accomplished, the accounting entity that receives an allotted share of such budget authority must account for the share amount, as well as the obligations and expenditures.

3.2.4. The execution level must retain the same availability constraints for an allotment as OMB initially automatically apportioned.

3.3 Commitments

3.3.1. A person authorized to reserve funds, such as the official responsible for administrative control of funds for the affected subdivision of the appropriation, must sign a commitment document. This commitment represents an administrative reservation of allotted funds or other funds in anticipation of their obligation. Since an obligation equal to or less than the commitment can be incurred without further recourse to an authorizing official, some appropriations require commitments (see subparagraph 3.3.3) while others permit them. When recorded in the accounting records, a commitment reduces the allotment's available fund balance. This process helps ensure that the subsequent entry of an obligation does not exceed available funds.

3.3.2. ***Chapter 8***, "Standards for Recording and Reviewing Commitments and Obligations," provides the detailed requirements for estimating and recording the amounts of commitments.

3.3.3. An agreement with OMB requires commitment accounting for Procurement, Military Construction, and Research, Development, Test, and Evaluation appropriation accounts. However, agencies do not need to record commitments for small purchases if they are not significant in the overall management of funds. Although commitment accounting is not mandatory for operation and maintenance appropriation accounts, revolving fund accounts, or military personnel appropriation accounts, agencies may choose to use it if it proves cost-effective.

3.3.4. A procurement program's approval generally does not allow for recording a commitment from an action document because specific actions are needed to reserve all or part of the funds allocated to the program. Programs can record the program approval as an initiation (see subparagraph 3.3.5). Additionally, programs usually cannot record a commitment from an order to commence procurement since such orders typically do not constitute firm reservations that permit recording an obligation without relying on the person authorized to reserve funds. Programs can record these orders as initiations.

3.3.5. Initiations enter memorandum accounts to ensure that precommitment actions, such as approved procurement programs and procurement orders, maintain the available subdivision of funds. An initiation results in an administrative reservation of funds based on procurement orders, requests, or equivalent instruments. It authorizes preliminary negotiation of procurement actions but requires the responsible official for administrative control of funds to review the action before incurring the obligation. Since initiations do not form part of the official accounting requirements, allotment issuers or receivers who need initiation accounting must ensure that their procedures and practices are cost-effective.

3.3.6. Officials must close or cancel outstanding commitments by the end of the period when the appropriation is available for obligation. Commitments cannot be present in expired appropriation accounts.

3.4 Obligations

3.4.1. Obligations incurred represent the amounts of orders that organizations place, contracts they award, services they receive, and similar transactions that occur during an accounting period, which will require payment in the same or future periods. These amounts include payments for obligations that organizations did not previously record, adjustments for differences between previously recorded obligations, and actual payments made to liquidate those obligations.

3.4.2. The execution-level budgetary account structure requires that organizations segregate the amount of obligations incurred into undelivered orders unpaid, prepaid or advanced, and delivered orders unpaid or paid. The definitive final stage of obligations incurred is delivered orders paid, which must be recorded regardless of whether the preceding steps of ordering (undelivered order) and delivery (unpaid delivered orders) were recorded.

3.4.3. Entities issue undelivered orders as contracts or orders for goods and services when the liability has not yet accrued. These orders can be for any goods or services needed to fulfill a bona fide need of the issuing entity.

3.4.4. Organizations must report reductions or cancellations of prior year obligations in no-year and unexpired multiple year (multi-year) accounts specifically in budget execution reports (see ***Volume 6A, Chapter 4***, "Appropriations and Fund Status Reports").

3.4.5. Chapter 8 outlines the detailed requirements for determining and recording the amounts of obligations.

3.5 Reimbursements and Refunds

3.5.1. Definition

3.5.1.1. Reimbursements represent collections that organizations earn by selling goods or services. Reimbursable obligations refer to those obligations financed by offsetting collections that an expenditure account credits in payment for the goods and services it provides. The law must authorize the collection to credit the specific appropriation or fund account. Within the DoD, the Under Secretary of Defense (Comptroller) authorizes reimbursable authority through budget formulation and statutory authorization of the budget. With the exception of refunds and reimbursements, organizations deposit collections in the Treasury as miscellaneous receipts.

3.5.1.2. Refunds represent repayments of excess payments and credit the appropriation or fund account that was charged with the original obligation, as outlined in OMB Circular A-11, section 20.9. The amounts must directly relate to previously recorded obligations incurred and expenditures made against the appropriation, serving as reductions to those expenditures. When entities collect amounts from outside sources for payments made in error, overpayments, or adjustments for previously disbursed amounts, these are classified as refunds to appropriations. Any amounts exceeding the refund, such as interest and penalty charges collected in relation to refunds, must be deposited in the Treasury as miscellaneous receipts. Items returned to Defense Working Capital Fund (DWCF) supply activities from DWCF customers are classified as recoveries rather than refunds. For accounting policy on the disposition of interest, penalties, and administrative charges, refer to ***Volume 4, Chapter 3***, "Receivables." Additionally, consult ***Volume 11A***, "Reimbursable Operations Policy", ***Volume 11B***, "Reimbursable Operations Policy – Working Capital Funds (WCF)," and ***Volume 15***, "Security Cooperation Policy" for further policy requirements for reimbursements.

3.5.1.3. To record an obligation and an outlay in the current fiscal year for returned cash advances, other offsetting collections, or special or trust fund receipts received in a prior fiscal year, follow the guidelines in OMB Circular A-11, section 20.10.

3.5.1.4. In general, collections that lack an authorized reimbursable authority for DoD goods and services do not create budgetary resources. Except for refunds, agencies must deposit such collections in the Treasury as miscellaneous receipts unless a law authorizes the deposit to an appropriation or fund. Agencies may credit refunds related to the use of Government purchase and travel cards, as well as Government travel arranged by Government Contracted Travel Management Centers, to the Operation and Maintenance and Research, Development, Test, and Evaluation accounts that are current when they receive the refunds. ***Volume 11A, Chapter 3***, "Economy Act Orders" and ***Volume 11B, Chapter 3***, "Defense Working Capital Fund – Budgetary Resources" contain the general policy statements regarding work performed or materials provided between the DoD and other Federal agencies.

3.5.2. Anticipated Reimbursements

3.5.2.1. Anticipated reimbursements estimate the reimbursements that the organization expects to earn during the current fiscal year, subject to OMB apportionment, based on customer orders or services received or provided. The organization cannot use anticipated reimbursements as a source of obligational authority until it accepts a customer order, unless a statute specifically authorizes such use.

3.5.2.2. An allotted reimbursable authority does not give authority to incur obligations. It can only incur obligations after accepting a customer order. The reimbursable authority does not need to be specifically allotted. When the DoD Component responsible for the appropriation obtains written OMB approval, it can treat the apportionment, allotment, and allocation of the reimbursable authority as "automatic." OMB approval depends on meeting the criteria for automatic apportionment of reimbursements outlined in ***Chapter2***, "Apportionment/Reapportionment and Funds Distribution."

3.5.2.3. At the beginning of each fiscal year, agencies must record an allotment of anticipated reimbursable authority. For the predominantly used automatically apportioned reimbursable authority within the DoD, the performing activity must enter an estimate of the expected reimbursable authority. In the case of a specifically apportioned reimbursable authority, the performing agency must enter the exact amount specified in the allotment instrument. The performing activity may revise the estimate of automatically apportioned reimbursable authority, either upward or downward, at any time during the fiscal year to reflect the current estimate. However, the specifically apportioned reimbursable authority cannot be revised unless the performing agency requests and receives a revised allotment instrument. An allotment of anticipated reimbursable authority does not grant obligation authority; it only provides the authority to accept reimbursable orders. The accepted reimbursable order then provides the obligation authority. For information on specific types of customer orders, see subparagraph 3.5.3.2.

3.5.3. Customer Orders

3.5.3.1. Accepted customer orders establish obligational authority in a performing allotment. Unfilled customer orders represent the amounts of orders that other accounting entities within the United States (U.S.) Government has accepted that goods and services to be provided on a reimbursable basis. In the case of transactions with the public, these orders reflect the amounts collected in advance for which the accounting entity has not yet performed the requested services. On an exception basis, the public may submit orders that are received and accepted without payment in advance, but only when a statute specifically permits this. To accept a customer order, the performing accounting entity must agree in writing to perform the work for the requesting (customer) accounting entity. ***Volume 11A, Chapter 1***, "General Reimbursement Policy" and Volume 11B, Chapter 3 outline the written requirements used to document these requests and acceptances. An allotment of reimbursable authority, whether specific or automatic, grants authority for the reimbursable authority but does not establish obligational authority.

3.5.3.2. For reimbursable customer orders between Federal Government entities, when both the performing and ordering agencies use multi-year appropriation accounts, the agency that accepts the order from a multi-year appropriation account must record the obligational authority resulting from the order against its multi-year appropriation account with a corresponding period of availability. If the performing and ordering agency accounts have different periods of availability—such as when a performing agency uses its one-year Operations and Maintenance appropriation to fill an order funded by a customer's multi-year appropriation account—the agencies must apply such reimbursable customer orders and their related transactions in accordance with OMB Circular A-11, section 130.21. In these cases, the performing agency must obtain authorization each fiscal year to execute the unobligated balance in the subsequent fiscal year. For guidance on Economy Act orders, refer to Volume 11A, Chapter 3.

3.5.3.3. For additional guidance on project orders between DoD entities, refer to ***Volume 11A, Chapter 2***, "Project Orders."

3.5.3.4. For general guidance on non-Economy Act orders, refer to ***Volume 11A, Chapter 18***, "Non-Economy Act Orders."

3.5.3.5. For additional guidance on orders placed with or through Defense Working Capital Fund activities, refer to Chapter 8, section 9.

3.5.4. Unearned Revenue

Performing organizations recognize unearned revenue as the amount received in advance for the future delivery of goods, services, or other assets. To record reimbursable orders that are received and accepted with payment in advance, accountants must make a compound entry. They must record advance payments in both the budgetary accounts and proprietary accounts.

3.5.5. Earned Reimbursements

3.5.5.1. An earned reimbursement is the amount recognized when a performing organization renders actual or constructive performance on a reimbursable order. Generally, it is at the point of recognition of a paid or unpaid delivered order that compound entries must be made to record the performance and earnings in both the budgetary accounts and in the proprietary accounts.

3.5.5.2. Generally, the cost elements outlined in Volume 11A, Chapter 3, and Volume 11B, Chapter 3 must be recovered through reimbursements. However, specific DoD issuances (e.g., directives or instructions) may authorize the establishment of other billing prices.

3.5.5.3. The accounting entity responsible for collection must account for reimbursements separately. They must maintain appropriate billing documents that indicate the specific property delivered or services rendered, along with quantities, dollar amounts, and references to each customer order.

3.5.5.4. Accountants must record and bill earned reimbursements promptly in the accounting period they are earned. See Volume 11A, Chapter 1 for information on reimbursement procedures and supporting documentation.

3.5.5.5. DoD accounting entities should generally collect funds without using checks by processing billing and collecting entries simultaneously in the disbursing officers' accounts. The requesting accounting entity must record its obligations according to the standards for recognizing obligations in Chapter 8.

3.5.6. Proceeds from Articles Sold. For information on proceeds from articles sold, see ***Volume 15, Chapter 7***, "Pricing."

3.6 Borrowing Authority

3.6.1. Borrowing authority allows an entity to incur obligations and make payments for specified purposes using borrowed money. The entity must establish this authority when acquiring property subject to a mortgage and withdraw it upon paying the mortgage principal. When a buyer assumes the mortgage, the buyer disestablishes the borrowing authority.

3.6.2. The U.S. Government must include the amount of the mortgage balance payable in the accrued expenditures for acquiring homes subject to mortgages that it assumes. Buyers must include the amount of the mortgage balance payable in the accrued revenues for selling homes subject to mortgages that they assume. Sellers may sell homes subject to another loan covering all or part of the cash purchase price to the new buyer. In this case, the U.S. Government holds a second mortgage on the home, and the revenue from the sale includes this mortgage receivable.

3.6.3. The U.S. Government's assumption of a mortgage increases the borrowing account. Payments on the mortgage principal decrease the borrowing account. When a buyer assumes the mortgage balance, it decreases the borrowing account. The borrowing account is equal to the borrowing authority.

3.6.4. Officials must ensure that the total acquisition cost of the property and the mortgage assumed align with ***Volume 6A, Chapter 3***, "Reporting of Outlays, Receipts, and Adjusted Trial Balances."

3.7 Additional Guidance

3.7.1. For policy guidance and information on the Homeowners Assistance Program, refer to DoD Directive 4165.50E and 42 U.S.C. §3374.

3.7.2. For policy guidance and information on foreign military indebtedness, refer to ***Volume 16, Chapter 6***, "Debt Owed to the DoD by Foreign Entities."

3.7.3. For policy guidance and information on the military housing privatization program, refer to ***Volume 2B, Chapter 6***, "Military Construction/Family Housing Appropriations" and ***Volume 6A, Chapter 9***, "Accounting and Reporting for Operation and Maintenance of the Family Housing Program."

4.0 ACCOUNT ADJUSTMENTS

4.1 Fiscal Year-End Adjustments to Appropriation Accounts

4.1.1. At fiscal year-end, DoD Components that receive appropriations must accurately state obligational authority and obligations based on the most current information available. To accomplish these fiscal year-end adjustments, they should take the following actions:

4.1.2. Review and validate the unfilled orders from the Economy Act and Non-Economy Act (see Volume 11A, Chapters 3 and 18, respectively). Cancel the orders funded from expiring accounts or the portions that will not be obligated by the fiscal year-end. Notify the ordering activities about the order reductions that affect their obligations and fund availability.

4.1.3. Review and validate unfilled project orders funded by expiring accounts. Cancel those orders that will not be started by January 1 of the ensuing fiscal year. Notify ordering activities of order reductions that affect their obligations and fund availability.

4.1.4. Review anticipated reimbursements to eliminate those for orders that Components do not accept.

4.1.5. Review the estimated obligations to identify possible overstatements or understatements.

4.1.6. Review obligations for goods and services ordered. Cancel orders or contracts for goods or services that are no longer needed or that are not likely to be delivered, and deobligate the appropriate amounts. A contract modification, or similar authorized contracting officer action, is required to deobligate these amounts, refer to Chapter 8, paragraph 16.8.

4.2 Adjustments to Expiring Accounts

4.2.1. Cancel outstanding commitments in expiring accounts. Officials must cancel outstanding commitments by the end of the period when an appropriation is available for obligation. Do not allow commitments in expired accounts. Refer to subparagraph 3.3.6 for instructions on recording transactions for commitments that remain unobligated after the period of availability expires.

4.2.2. Review completed customer orders to restore the obligational authority for the reimbursable authority that exceeded performance costs. Eliminate earned amounts that remain uncollected from the expiring appropriation account and establish them against the miscellaneous receipt account, where the future collection will be deposited.

4.2.3. Reduce the balances in *Unfilled Customer Orders Without Advance* and *Unfilled Customer Orders With Advance* to match the amount of valid remaining incomplete customer orders. Return any cash advances accepted for non-Federal customer orders that remain unused (i.e., no performance) by the end of the fiscal year.

4.2.4. Eliminate any remaining balance in *Anticipated Reimbursements and Other Income*.

4.3 Adjustments to Canceled Appropriation Accounts

Upon canceling an appropriation, officials should cancel all obligations (undelivered orders and unpaid obligations) and uncollected reimbursements before making normal closing entries.

4.4 Report Preparation and Closing

After adjustments are completed, officials must prepare budget execution reports as specified in Volume 6A, Chapter 4. Once reports are finished, officials close the obligational and reimbursable authority.

4.5 Expired and Canceled Accounts

4.5.1. For 5 years after the time an appropriation expires for incurring new obligations, agencies can use both the obligated and unobligated balances of that appropriation to record, adjust, and liquidate obligations that are properly chargeable to that account.

4.5.2. On September 30 of the fifth fiscal year after an appropriation's period of availability for incurring new obligations expires, the obligated and unobligated balances of that appropriation must be canceled, making them no longer available for obligation or expenditure for any purpose.

4.5.3. If an appropriation is canceled and it becomes necessary to record an obligation or an adjustment to an obligation that would have been properly chargeable (both in purpose and amount) to the canceled appropriation, officials should charge the obligation to an appropriation currently available for the same purpose.

4.5.4. When a current appropriation pays an obligation that would have been properly charged (both in purpose and amount) to a canceled appropriation, the total of all such payments from that current appropriation cannot exceed the lesser of:

4.5.4.1. The unexpended balance of the canceled appropriation (the unexpended balance is the sum of the unobligated balance plus the unpaid obligations of an appropriation at the time of cancellation, adjusted for obligations and payments which are incurred or made after cancellation, and which would otherwise have been properly charged to the appropriation except for the cancellation of the appropriation); or

4.5.4.2. The unexpired unobligated balance of the currently available appropriation; or

4.5.4.3. One percent of the total original amount appropriated to the current appropriation is being charged.

4.5.4.3.1. For annual accounts, the applicable account has a one percent limitation on the annual appropriation, not on total budgetary resources (e.g., reimbursable authority).

4.5.4.3.2. For multi-year accounts, the total (multi-year) amount of the appropriation is subject to the one percent limitation.

4.5.4.3.3. For contract changes, charges made to currently available appropriations will not impact the one percent limitation rule. In other words, the charges to current appropriations for contract changes will not reduce the one percent of the currently available appropriation amount.

4.5.5. See ***Chapter 10***, "Accounting Requirements for Expired and Closed Accounts," for additional policies regarding expired and canceled accounts.

4.6 Expired Authority

4.6.1. Accounting. Expired authority consists of (a) unobligated balances and (b) obligated but unliquidated balances that remain in appropriations no longer available for incurring new obligations. The balances become unavailable because the time for incurring such obligations has expired. Each fiscal year must maintain separate accounts for every expired fixed appropriation for 5 years after the appropriation's period of availability for obligation ends.

4.6.2. Elimination of Unobligated Balances

4.6.2.1. Direct Authority. Organizations must close the unobligated budget authority of an expired appropriation to account 465000, *Allotments Expired Authority*, at the time of its expiration.

4.6.2.2. Reimbursable Authority. Closing entries eliminate the expended reimbursable authority. Additionally, organizations need to eliminate any unobligated reimbursable authority that exists at the time the receiving appropriation expires. Organizations must return unobligated reimbursable authority to the financing appropriation. Organizations must also request the obligation authority necessary to finance any subsequent upward obligation adjustments from that financing appropriation. For more information on multi-year reimbursable authority and cash advances from non-Federal sources, see subparagraphs 3.5.3.2 and 4.2.3, respectively.

4.6.3. Adjustments. During the 5 years following the appropriation's period of availability for obligation, DoD Components can adjust obligations upward and downward, and they can make disbursements from these expired appropriations. Before appropriation cancellation, expired authority allows a DoD Component to adjust previously under-recorded obligations upward or to record obligations that should have been recorded (but were not) against an expired appropriation.

4.7 Canceled Authority

4.7.1. On September 30th of the fifth fiscal year after the period of availability for obligation ends, the agency must close the fixed appropriation account and cancel any remaining balance (whether obligated or unobligated) in the account. After cancellation, the account will not be available for obligation or expenditure for any purpose. The agency must continuously maintain the obligational status of the canceled account, even though no expenditures or collections may occur. Additionally, the agency must deposit any collections authorized or required to be credited to the appropriation account, but not received before the account closes, into the Treasury as miscellaneous receipts.

4.7.2. Accounting for Canceled Obligated and Unobligated Balances. When an appropriation is canceled, the entity must reclassify the balance in account 465000, *Allotments – Expired Authority*, as canceled authority and record it in account 435000, *Canceled Authority. Expenditures* from a current appropriation that apply to obligations incurred in a canceled appropriation will reduce the balance in account 435000.

4.7.3. Accounting for Collections Applicable to Closed Accounts. The entity must deposit any collections received after the cancellation of an account in Treasury as miscellaneous receipts.

4.7.4. Accounting for Expenditures Applicable to Canceled Appropriations. Entities must continuously maintain the status of direct program obligated and unobligated balances, as well as reimbursable authority obligated balances, even in a closed account. If the entity does not receive payments (cash collections) for obligations incurred in the reimbursable authority, it must cover those obligations with direct program unobligated authority that exists in the closed account.

4.7.4.1. To determine if sufficient direct program unobligated authority exists in the closed account, deduct all amounts that current appropriations charged, which would have otherwise been chargeable to the closed account in both purpose and amount, from the unobligated balance at the time of the cancellation, except when the account was canceled.

4.7.4.2. The current appropriation for obligations and payables of a canceled appropriation cannot exceed the lesser of (1) the unexpended balance of the canceled appropriation; (2) the unexpired unobligated balance of the currently available appropriation; or (3) one percent of the current appropriation being charged. Agencies must pay payables applicable to canceled appropriations from funds of subsequent appropriations that are available for the same general purpose as the canceled ones. Agencies cannot record liabilities on the books of a subsequent appropriation until (1) it receives valid bills for payment, and (2) it is certain that the payment will come from that subsequent appropriation. If such payments exceed the one percent limitation, the organization must seek additional authority from Congress (see Chapter 10). It is important to note that officials record the liability of a current account to pay an obligation of a canceled account only in the proprietary accounts of the current account, as described in this paragraph. However, officials must immediately record the obligation of a current account to pay, including upward obligation adjustments, in the budgetary accounts against the obligational authority of the canceled account that would have been available except for its cancellation.